Cliff No.: 101345
Date: August 17, 2017

MINISTRY OF ENERGY, MINES, AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

I **PREPARED FOR:** Honourable John Horgan, Premier,
Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources, and Honourable Bruce Ralston, Minister of Jobs, Trade and Technology

II **ISSUE:** Meeting with Kitimat LNG, a co-venture partnership with Chevron Canada Ltd. and Woodside Petroleum Ltd.
Attendees: Jeff Gustavson, President, Chevron Canada Ltd.,
Alan Dunlop, Senior Vice President, Asset Development, Chevron Canada, and Representatives from Woodside Petroleum Ltd.

III **BACKGROUND:**

Company Profiles

Chevron Corporation

- Chevron Corporation (Chevron) is an American multinational energy corporation. The company is active in over 180 countries, covering every aspect of exploring, developing, producing, and marketing oil, gas, and geothermal energy.
- In Canada, Chevron operates through Chevron Canada Resources and Chevron Canada Ltd. (Chevron Canada) operating for more than 80 years in Newfoundland and Labrador, Northwest Territories, Alberta, and BC.
- Headquartered in Vancouver, Chevron Canada's downstream office is considered one of the major oil companies operating on the west coast, employing over 350 people.
- Chevron Canada and Australia's Woodside Petroleum Ltd. (Woodside) are co-venture partners in the proposed Kitimat LNG project in northeastern BC with each partner holding 50 percent of the project.

Woodside Petroleum Ltd.

- Woodside is Australia's largest petroleum exploration and production company involved in both Australian and international liquefied natural gas (LNG) projects.
- In addition to Kitimat LNG, Woodside is a 100 percent owner in proposed Grassy Point LNG project near Prince Rupert.

Proposed Export Project – Kitimat LNG

- Kitimat LNG is proposing to build an LNG facility and marine terminal at Bish Cove near Kitimat. s.13,s.21
s.13,s.21

- Kitimat LNG received its Environmental Certificate from the province in 2006 and obtained a 20-year export license from the National Energy Board in 2011.
- The project will source gas from the Horn River and Liard shale basin plays in northeastern BC. After extraction, natural gas will be transported to the facility via a third party pipeline and the proposed Pacific Trail Pipeline (PTP).
- 16 First Nations located along the proposed PTP have joined together through the First Nations Limited Partnership to support the development of the natural gas pipeline for the Kitimat LNG project.
- At peak construction, Chevron Canada and Woodside expect to create nearly 3,000 jobs in BC.

IV DISCUSSION:

- Chevron Canada and Woodside are expected to provide a detailed update on the status of the Kitimat LNG project.
- The proponents are expected to discuss competitiveness issues and potential fiscal and policy options to further guide upcoming investment decisions.
    - Market conditions have changed significantly since proponents began to develop potential LNG projects in BC.
    - Compared to the high-price environment in 2012, proponents are seeking a lower-cost investment while mitigating risk factors in the current buyers' market.
    - BC's competitiveness gap is expanding when compared against the US Gulf Coast, which has existing infrastructure and less rigorous environmental standards.

s.13,s.21

- The proponents may request further clarity on the new government's approach to BC natural gas and LNG sectors, including discussion on the government's four conditions for LNG proposals:
    - Proposals must include express guarantees of jobs and training opportunities for British Columbians;
    - Proposals must provide a fair return for our resource;
    - Proposals must respect and make partners of First Nations; and
    - Proposals must protect our air, land and water, including living up to our climate commitments.

V CONCLUSION:

- The Premier may want to use the opportunity of this meeting to declare his concerns regarding competitiveness – and to stress the importance of First Nations partnerships and GHG reductions.

s.13

- The Premier may wish to thank Chevron Canada and Woodside for their continued support and assistance regarding the wildfire crisis in BC as they have made available 100 emergency shelter beds in Prince George to support evacuees.

DRAFTED BY:	**APPROVED BY:**
Shauna Sundher, Economic Analyst	Suzanne Manahan, A/ADM√ Ines Piccinino ADM, for Dave Nikolejsin, DM√

Appendix A. Attendee Biographies

Jeff Gustavson, President, Chevron Canada Ltd.

Jeff Gustavson is president of Chevron Canada Ltd., responsible for the company's upstream interests in Canada, including oil sands, unconventional resource assets in Alberta and BC, interests offshore Newfoundland and Labrador, the proposed Kitimat LNG Project, and assets in the Northwest Territories and Yukon.

Mr. Gustavson joined Chevron in 1999 and has held positions in Finance, Mergers and Acquisitions, Corporate Strategic Planning, Supply and Trading, Investor Relations and Upstream, with numerous assignments in the United States, as well as Venezuela, the United Kingdom, and Canada. Mr. Gustavson graduated from the University of Colorado in Boulder in 1994 with bachelor's degrees in both economics and international affairs, and received a master's degree in business administration from the University of Texas in Austin in 1999.

Alan Dunlop, Senior Vice President, Chevron Canada Ltd.

Alan Dunlop is vice president of Asset Development, a position he has held since July 1, 2016. He is responsible for developing Chevron's upstream interests in Canada including unconventional resource developments in western Canada, the Kitimat LNG Project, and managing Canadian exploration activities. He was previously vice president and general manager of the Kitimat LNG Project with Chevron Canada.

Mr. Dunlop joined Chevron in 1981 after graduating with a degree in mechanical engineering from the University of Saskatchewan. During his career, he has held numerous assignments in Engineering, Development, Production, Exploration, LNG Development, Planning and Business Development, including assignments in Calgary, Edmonton, and Red Deer, Canada; Perth, Australia; and San Ramon, California. Mr. Dunlop is a registered professional engineer in Alberta.

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

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

II ISSUE: Phone conversation with the Mayor of Prince Rupert, Lee Brain, regarding Pembina Pipeline Corporation's (Pembina) proposed propane export facility

III BACKGROUND:

- Ministry executives of the former Ministry of Natural Gas Development last met with Pembina in Victoria on March 28, 2017.

Pembina Pipeline Corporation

- Pembina is a leading transportation and midstream service provider that has been serving North America's energy industry for over 60 years.
- Pembina owns and operates an integrated system of pipelines that transport various hydrocarbon liquids including conventional and synthetic crude oil, heavy oil and oil sands products, condensate and natural gas liquids (NGL) produced in western Canada and ethane produced in North Dakota. Pembina also owns and operates gas gathering and processing facilities and an oil and NGL infrastructure and logistics business.
- Pembina has proposed to develop a west coast liquefied petroleum gas (LPG) export terminal (the West Coast Terminal) on Watson Island near Prince Rupert.
- The project received an export license from the National Energy Board in August 2016 to export up to 75,000 bbls/day of propane.
- In April 2017, Pembina announced that it signed a non-binding Letter of Intent (LOI) with Prince Rupert Legacy Inc. – a wholly owned subsidiary of the City of Prince Rupert – for the company to develop a West Coast Terminal on Watson Island, lands owned by Price Rupert Legacy Inc. Under the LOI, Pembina has commenced site assessment and engagement with key stakeholders including aboriginal communities. Initial assessments of the site indicate it is ideal for the development of an export terminal with a capacity of approximately 20,000 bbls/day of LPG export with an associated capital cost ranging between $125 and $175 million.
- Pembina expects a project timeline of two years from Final Investment Decision (FID).

Global Demand for Propane

- The global outlook for propane demand continues to rise. Given the relatively abundant supply and global focus on clean energy, propane demand is forecasted to grow by an average of 2.4 percent per annum over the next ten years. The increase in demand is driven primarily by North East Asia, where demand is projected to more than double by 2040 and rapid growth is expected until 2020.

- A North American discount in propane prices is expected to remain as domestic demand remains flat with limited export capacity.
- Edmonton propane prices typically trade at a discount to other hubs due to high supply, transportation cost, and limited transportation options.

IV CONCLUSION:

- BC has a vast supply of natural gas that makes our province an attractive place for value-added production and investment, including propane.
- Value-added production can complement BC's emerging liquefied natural gas industry.
- Pembina's West Coast Terminal is a promising example of BC's growth prospects and capacity to supply energy to new markets.
- The City of Prince Rupert has a number of initiatives in place to prepare the town for major industrial project development.

s.13,s.16

- The Minister may want to confirm that EMPR is in support of the Pembina project, and that the Ministry will be pleased to continue to work with the City of Prince Rupert.

DRAFTED BY:	**APPROVED BY:**
Shauna Sundher, Economic Analyst	Suzanne Manahan, A/ADM√
	Les MacLaren, A/DM√

Appendix A: Mayor Lee Brain Profile

Appendix A: Mayor Lee Brain

Lee Brain is currently the Mayor of Prince Rupert, and is a fourth-generation resident. Raised in Prince Rupert, he spent his time working with at-risk youth, as well as getting involved in the community through volunteering on First Nations issues, arts, sustainability and facilitated group development.

Mayor Brain attended Simon Fraser University from 2003-2009, focusing his studies in Developmental Psychology, Sustainable Community Development and Dialogue. He studied various governing systems and different methods of group development and also holds a Certificate in Innovative Leadership. He has over five years of professional facilitation experience and training, along with extensive experience in conflict resolution and mediation.

As a hands-on learner, Mayor Brain met with a variety of local governments in international cities analyzing innovative 21st Century community models. He also spent a month on one of the world's largest oil refineries in India in 2009. There he learned the many processes involved in global oil operations – knowledge that will be important to a Province facing potential hyper-economic activity.

Mayor Brain enables healthy and positive people interactions by using root cause analysis to identify innovative solutions to common group/organizational problems. His facilitation experience, combined with his passion, energy and enthusiasm would be an ideal asset for any group seeking to become more effective, innovative and engaged.

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: The Honourable John Horgan, Premier of British Columbia, Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources, and the Honourable Carole James, Minister of Finance and Deputy Premier

II ISSUE: Meeting with Andy Calitz, Chief Executive Officer CEO of LNG Canada.

III BACKGROUND:

- Andy Calitz last met with the former Minister of Natural Gas Development in May 2016.

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%).
- It has received environmental approval from both the provincial and federal government and is fully permitted – including the first LNG Facility Permit issued by the BC Oil and Gas Commission.
- The project is estimated to have a capital expenditure of $25-$40 billion, and employ between 4,500 – 7,500 at the height of construction.
- The project has invested close to $2.3 million in local communities in BC since 2012 and has strong community support, particularly from the Haisla First Nation.
- Market conditions have changed significantly since the proponents began to develop the project. On July 11, 2016, LNG Canada announced that its joint venture partners had decided to delay a Final Investment Decision (FID) on the project to focus on reducing capital costs.
- In December of 2016, LNG Canada announced that it would use this delay to undertake a new competitive process to identify a preferred prime contractor to build their facility and related infrastructure. This process is expected to be completed before the end of this year.

Upstream

- The project is expected to source its natural gas primarily from the Montney basin, where all of the partners have an upstream position. Each of the plant owners will be responsible for securing their own equity gas or bringing in third-party gas to the facility.

Midstream

- In May 2012, TransCanada was selected by the project to build the Coastal GasLink pipeline that will deliver natural gas to the proposed LNG plant at Kitimat.
- This pipeline has been issued an environmental assessment certificate and has received all required permits from the BC Oil and Gas Commission.

Facility

- On November 4, 2014, BC Hydro and LNG Canada signed a power agreement to allow for LNG Canada to use electricity from BC Hydro for a portion of the power needed for its proposed export facility. This was the first power agreement signed in BC with an LNG proponent.
- The agreement covers a portion of the electricity supply that will be required to power the commissioning and operation of LNG Canada's proposed facility – all auxiliary power needs.
- Each of the project partners is responsible for LNG offtake according to their equity interest. As a result, no additional sales contracts would be required prior to an FID.

Recent developments

- KOGAS has for some time expressed interest in selling down a portion of their ownership in this project. Reports by the Globe and Mail (August 23) suggest that PETRONAS could be looking to acquire the 15 % sake currently held by KOGAS.
- Andy Calitz, CEO of LNG Canada, was quoted (August 3) saying that the project intends to make an FID and commence construction in 2018.
- The project announced that Servco Industrial Contractors Ltd in partnership with Haisla First Nation will begin work on demolishing and removing the former methanol terminal infrastructure. Work is set to wrap up by the end of 2017.

s.13

- On September 22, Andy Calitz told Business in Vancouver that he believes there should be a tax on carbon, but they need an indication as to where it will go, as well as a look at the fiscal competitiveness of Canada for an LNG project, specifically the impacts of the LNG Income Tax.

s.12,s.13

IV CONCLUSION:

- The Premier may want to request an update from LNG Canada on the process of selecting an Engineering, Construction and Procurement contractor.

s.13

Appendices: Appendix 1 – Biography - Andy Calitz, CEO of LNG Canada
Appendix 2 – LNG Canada Project Fact Sheet

DRAFTED BY:	**APPROVED BY:**
Shauna Sundher, Senior Project and Policy Analyst	Suzanne Manahan, A/ADM√ Dave Nikolejsin, DM√

Appendix 1 - Biography

Andy Calitz – Chief Executive Officer (CEO) of LNG Canada

Andy Calitz is CEO of LNG Canada (a Shell-PetroChina-Kogas-Mitsubishi Joint Venture). During his 18-year career with Shell, Mr. Calitz has been responsible for new business development in upstream projects and strategic investments in Russia, China, Australia, India, the Middle East and Africa.

He has held directorship of Sakhalin Energy (Russia), Gorgon LNG (Australia) and Brunei LNG. Prior to that, he worked in electricity generation, transmission, marketing and pricing.

Mr. Calitz studied at the Harvard Business School and holds three degrees from universities in South Africa. Mr. Calitz resides in Vancouver, BC.

Appendix 2

LNG Project Fact Sheet

LNG CANADA

August 2017

Recent Announcements

Aug 23 The Globe and Mail reported that PETRONAS was considering acquiring a minority stake in LNG Canada.

Aug 3 Andy Calitz, CEO of LNG Canada, announced that the project wants to make a Final Investment Decision and commence construction in 2018.

July 6 LNG Canada announced that Servco Industrial Contractors Ltd in partnership with Haisla Nation will begin work on demolishing and removing the former methanol terminal infrastructure. Work is set to wrap up by the end of the year.

Mar 30 The Province and the Kitselas First Nation reached new agreements to ensure the nation receives direct benefits when progress is made on the LNG Canada project.

Facility Concept

Major Permits and Authorizations

Export License:	40-year export license issued May 2016
Provincial Environmental Assessment Status:	EAC issued June 2015, amended August 2016
Federal Environmental Assessment Status:	EADS issued June 2015
LNG Facility Permit:	Issued January 2016

Summary Table

Shareholders:		Shell (50%), PetroChina (20%), KOGAS (15%), Mitsubishi (15%)
Facility Type:		Liquefied Natural Gas Facility and Marine Terminal
Location:		Kitimat - Former Methanex site
Output Capacity	**Initial:**	13 MTPA
	Total:	26 MTPA
Feedstock Pipeline:		Coastal GasLink
LNG Buyers:		Shareholders will offtake volumes in proportion to their equity stakes
Pre-FEED Contractor:		Not announced
FEED Contractor:		CFSW LNG Constructors (Chiyoda, Foster Wheeler, SAIPEM and Worley Parsons)
EPC Contractor:		Not announced
Capital Expenditure (est.):		$25-$40 billion
Operating Expenditure (est.):		$7-$17 billion per year
Construction Jobs (est.):		4,500 to 7,500 expected at the height of construction
Operations Jobs (est):		300 to 450 people during initial phase, increasing to 450-800 at full capacity

Contact: LNG Task Force

Date: October 17, 2017
Cliff: 102265

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honorable John Horgan, Premier of British Columbia, Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources

II ISSUE: Background on Ridley Island Propane Export Terminal

III BACKGROUND:

AltaGas Ltd. (AltaGas) is constructing the Ridley Island Propane Export Terminal (Terminal) on a site sub-leased from Ridley Terminals Inc. located at 2110 Ridley Road, Prince Rupert, BC. The Terminal will be designed for propane and include the capability to handle butane in the future.

The Terminal will receive liquid propane from BC and Alberta via the Canadian National Railway (CN) existing rail line, which will be transferred to intermediate pressurized storage bullets on the project site. The propane will then be cooled so that it can be stored and shipped at atmospheric pressure.

On January 3, 2017 AltaGas announced a final investment decision on the Terminal following approval from federal regulators. Site preparation and pre-construction activities are underway. The Terminal is expected to be in service by the first quarter of 2019.

On May 5, 2017 AltaGas announced the signing of a joint venture partnership with Royal Vopak, a leading independent tank storage company with a global network of terminals, for a 30 percent interest in the Terminal. AltaGas will provide construction and operating services to the joint venture.

In August 2017, AltaGas and Astomos Energy took part in a signing ceremony for a sales and purchase agreement of propane from the Terminal. The agreement has Astomos purchasing 50 percent of the 1.2 million tonnes of propane shipped from the terminal annually.

IV DISCUSSION:

In accordance with the requirements of Section 67 of the *Canadian Environmental Assessment Act*, the federal government determined that the Terminal is not likely to have any significant environmental effects. s.13

s.13

V CONCLUSION:

The AltaGas Riddley Island Propane Export Terminal Project is a great opportunity for the Province as it provides a new outlet for our abundant natural gas liquids resources and a cleaner fuel for international buyers.

Appendix 1: Ridley Island Propane Export Terminal Project Fact Sheet

DRAFTED BY:	**APPROVED BY:**
Stefan Colantonio, Economic Analyst	Jennifer Wray, A/Executive Director√
250-361-3829	Suzanne Manahan, A/ADM√
	Ines Piccinino, A/DM√

Appendix 1: Ridley Island Propane Export Terminal Project Fact Sheet

Project Fact Sheet

RIDLEY ISLAND PROPANE EXPORT TERMINAL

September 2017

Recent Announcements

Aug 2 AltaGas and Astomos Energy took part in a signing ceremony for the offtake agreement of propane from the terminal. The previously announced agreement has Astomos purchasing 50 percent of the 1.2 million tonnes of propane shipped from the terminal annually.

May 5 AltaGas announced the signing of a joint venture partnership with Royal Vopak, a leading independent tank storage company with a global network of terminals, for a 30 percent interest in the terminal. AltaGas will provide construction and operating services to the joint venture.

Apr 17 In their First Quarter Financial Results, AltaGas Ltd. announced that site preparation and pre-construction activities are underway and construction is expected to begin in the second quarter of 2017.

Facility Concept

Major Permits and Authorizations

Export License:	An export licensed was approved for 25 year, 40,000 bbl/d of propane on October 18, 2016 by the NEB.
Federal Environmental Assessment Status:	An Environmental Evaluation Document was submitted and approved by federal authorities. The project does not trig-

Summary Table

Shareholders:	AltaGas Ltd (70%), Royal Vopak (30%)
Facility Type:	LPG (propane) export terminal—Brownfield Site
Location:	Ridley Island, BC
Output Capacity	40,000 bbl/day propane (1.2 million tonnes per year)
Feedstock:	CN Rail—50-60 railcars/day
Offtake :	Astomos (50% of capacity) - in discussion with other third party off-takers
Storage:	98,000 m^3
Number of carriers/year:	20-30
Capital Expenditure (est.):	$450-$500 million
Construction Jobs (est.):	200-250
Operations Jobs (est):	40-50

Contact: LNG Task Force

Date: October 19, 2017
Cliff: 102267

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable John Horgan, Premier of British Columbia, Minister Michelle Mungall, Minister of Energy, Mines and Petroleum Resources

II ISSUE: LNG Canada Project Update

III BACKGROUND:

- Premier Horgan and Minister Mungall met with Andy Calitz, Chief Executive Officer, on Tuesday, October 17.

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%).
- It has received environmental approval from both the provincial and federal government and is fully permitted – including the first LNG Facility Permit issued by the BC Oil and Gas Commission.
- The project is estimated to have a capital expenditure of $25-$40 billion, and employ between 4,500 - 7,500 at the height of construction.
- The project has invested close to $2.3 million in local communities in BC since 2012 and has strong community support, particularly from the Haisla First Nation.
- Market conditions have changed significantly since the proponents began to develop the project. On July 11, 2016, LNG Canada announced that its joint venture partners had decided to delay a Final Investment Decision (FID) on the project to focus on reducing capital costs.
- In December of 2016, LNG Canada announced that it would use this delay to undertake a new competitive process to identify a preferred prime contractor to build their facility and related infrastructure. This process is expected to be completed before the end of this year.
- The project is expected to source its natural gas primarily from the Montney basin, where all of the partners have an upstream position. Each of the plant owners will be responsible for securing their own equity gas or bringing in third-party gas to the facility.

- In May 2012, TransCanada was selected by the project to build the Coastal GasLink pipeline that will deliver natural gas to the proposed LNG plant at Kitimat.
- This pipeline has been issued an environmental assessment certificate and has received all required permits from the BC Oil and Gas Commission.
- On November 4, 2014, BC Hydro and LNG Canada signed a power agreement to allow for LNG Canada to use electricity from BC Hydro for a portion of the power needed for its proposed export facility. This was the first power agreement signed in BC with an LNG proponent.
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s.13

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s.12,s.13

IV CONCLUSION:

- The Minister may wish to thank LNG Canada for its engagement in this project and their continued support in the development of the natural gas industry in BC.

s.13

Appendices: Appendix 1 - LNG Canada Project Fact Sheet

DRAFTED BY:	**APPROVED BY:**
Mark Urwin, Senior Economist	Jennifer Wray, A/Executive Director√ Suzanne Manahan, A/ADM√ Ines Piccinino, A/DM√

Appendix 1

LNG Project Fact Sheet

LNG CANADA

August 2017

Recent Announcements

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Construction Jobs (est.):		4,500 to 7,500 expected at the height of construction
Operations Jobs (est):		300 to 450 people during initial phase, increasing to 450-800 at full capacity

Contact: LNG Task Force

Firth, Janet MEM:EX

From: Firth, Janet MEM:EX on behalf of Minister, EMPR EMPR:EX
Sent: Wednesday, September 13, 2017 11:57 AM
To: 'waynem@vws.orhg'
Cc: 'Premier@gov.bc.ca'; Minister, ENV ENV:EX
Subject: New Prosperity Project

Ref.: 101355

Mr. Wayne P. McCrory, RPBio.
Valhalla Wilderness Society

Dear Mr. McCrory:

Thank you for your July 25, 2017 email regarding Taseko Mines Limited's (Taseko) New Prosperity Project.

Under Section 14 of the *Mineral Tenure Act* (MT Act) and Section 10 of the *Mines Act,* the Province's statutory decision-makers (SDM) have an administrative law obligation to receive, review and consider all applications filed, including Taseko's recent Notice of Work (NOW) application. Importantly, the statutory decisions under the *Mines Act* and MT Act are made in accordance with the legislation, such that delegated decision-makers are independent and not subject to political interference.

The Province ensures that a thorough review and assessment and appropriate consultation with potentially affected Aboriginal groups is completed before a decision is made. The Province is committed to working with the Tsilhqot'in Nation (TNG) and proponents and meeting its commitments made under the Nenqay Deni Accord.

The permit authorizing Taseko's work program was issued by the Ministry of Energy, Mines and Petroleum Resources' (Ministry) SDM on July 14, 2017. The six chiefs of the TNG and their legal counsel were notified a provided reasons for the decision concurrently with Taseko on July 17, 2017. The SDM's rationale notes that he reviewed and considered documentation and references, in excess of 10,000 pages of materials, provided by the during the consultation process.

Taseko is required to meet all requirements of the *Mines Act* and the Health, Safety and Reclamation Code for M in British Columbia (Code) which apply to their activities. Exploration activities must be performed in a manne minimize impacts and ensures any disturbances are satisfactorily reclaimed. Should you wish detailed informati on the requirements proponents must meet, please see Section 9 of the Code, which can be found at http://www2.gov.bc.ca/gov/content/industry/mineral-exploration-mining/health-safety/health-safety-and-reclamation-code-for-mines-in-british-columbia.

In addition to the requirements in the Code, the permit includes 37 conditions which seek to address TNG concerns raised during the consultation process. The conditions cover a range of topics, such as adhering to specific environmental management plans, minimizing disturbance, conducting enhanced reclamation activities and ensuring wildlife, water and riparian protections. There are also permit conditions that require Taseko to conduct cultural heritage assessments of areas proposed for mechanical disturbance prior to disturbance, engage ongoing and timely updates with the TNG, and ensure that they give consideration to the TNG's practice of Aboriginal rights.

Presently, as a result of an outstanding disagreement with the Canadian Environmental Assessment Agency regarding whether the work program authorized by the NOW complies with Section 6 of the *Canadian Environmental Assessment Act, 2012*, Taseko has confirmed they will not be commencing any work pursuant to the NOW at this time.

I appreciate your concerns regarding this work program and the New Prosperity Mine proposal, and I hope my response clarifies the measures the Ministry and its SDMs undertake prior to rendering a decision.

Thank you, again, for writing.

Sincerely,

Michelle Mungall
Minister of Energy, Mines and Petroleum Resources

BRITISH
COLUMBIA

July 21, 2017 Cliff No: 101286

Mr. Trevor Samis
Exploitation Engineer
Progress Energy
1222, 205 Fifth Avenue SW
Calgary, AB T2P 2V7

Dear Mr. Samis:

Re: Re-assessment and Release of Deferred Royalty Deduction Caribou East Compressor and Pipeline Project - Infrastructure Royalty Credit Program #11 - Client Code 0691

This advice is in follow up to our letter dated February 12, 2016 whereby Progress Energy (Progress) was approved a partial royalty deduction, with the deferment of the balance of the project's royalty deduction to oil and gas royalties payable to the Province of British Columbia.

In accordance with the Caribou East Compressor and Pipeline Project Agreement between the Ministry and Progress, and supporting documents provided by Progress, I hereby advise that a second royalty deduction totaling **$979,282.07** has been approved and can be deducted from oil and gas royalty payments due to the Province of British Columbia.

Royalty deductions are not transferable between related or unrelated companies, persons or other entities. A BC-15 Remittance Advice entry form must be completed and submitted to the Ministry of Finance in order to claim all or some portion of the royalty deduction amount notified in this letter. Please see link: http://karpo.gov.bc.ca/royp-bin/phcgi.exe?PH_QKC=BC15_C1&PH_APP=RMSprodApp&PH_HTML=BC15_C1.htm.

The Ministry of Finance also requires you to remit a BC-22 Application for Producer Cost of Service. Please see link:http://www2.gov.bc.ca/gov/content/taxes/natural-resource-taxes/oil-natural-gas/oil-gas-royalty/file/facility-operator/pcos-application

In case of error or omission, the Ministry reserves the right to reassess the royalty deduction entitlement.

…/2

If you have questions with respect to the amount of the royalty deduction, please contact Ms. Dawn Kroad, Policy and Royalty Branch at: 778-698-3707 or via email at Dawn.Kroad@gov.bc.ca. If you need information with respect to claiming the royalty deduction, please contact Ms. Kathy Brulotte, Manager, Mineral, Oil and Gas Revenue Branch, Ministry of Finance at: 250-387-6128.

The Ministry will review this project in one year to determine if any or all of the remaining deferred royalty deduction may be released at that time.

Thank you for your participation in this project.

Sincerely,

Inés Piccinino
Royalty Administrator

pc: Mr. Stephen Pal
Director, Infrastructure Development
Ministry of Energy, Mines and Petroleum Resources

Ms. Dawn Kroad
Senior Project Manager
Ministry of Energy, Mines and Petroleum Resources

Ms. Kathy Brulotte
Manager, Mineral, Oil and Gas Revenue Branch
Ministry of Finance

Ms. Angela Thai
Team Lead, Petroleum Operations Adjudication
Ministry of Finance

Ms. Bandy Unaphum
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Ministry of Finance

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: July 26, 2017 Disposition of Petroleum and Natural Gas Rights

III BACKGROUND:

The Government owns most of the petroleum and natural gas resources (PNG) in the Province and grants rights to these resources through the issuance of PNG tenure under the *Petroleum and Natural Gas Act*. PNG tenure is acquired by industry through Crown dispositions, which are monthly scheduled competitive sealed-bid auctions. The Minister responsible for natural gas has the right to reject any and all bids received. This power is delegated to the Executive Director, Tenure and Geoscience Branch.

The Crown consults with First Nations and local government prior to offering PNG tenure for disposition. These consultations can lead to delays in making subsurface petroleum and natural gas rights available in monthly dispositions. In many instances, areas have been deferred from disposition for years.

Recently the Province completed a government to government (G2G) agreement with the Halfway River First Nation (HRFN) which provided assurances related to an area of importance to HRFN. The area, referred to as CP212, is located directly south of the HRFN Indian Reserve and happens to lie in a very high value area of the Montney Formation (see attached map). The G2G agreement allowed for the advancement of discussions with HRFN related to the parcels outside of CP212. A large parcel of rights in this area was made available for bids as part of the July 26, 2017 disposition.

IV DISCUSSION:

The parcel consists of 5,500 hectares and is located in an area of the Montney Formation known to be rich in natural gas liquids (e.g. butane, propane, pentanes and condensate). Based on the geological resource potential in the area this parcel attracted a $77 million bid (the July 26 disposition sold a total of 19 parcels covering 17,009 hectares and resulted in $84.7 million total).

The July 2017 disposition results are within the top 30 monthly dispositions for British Columbia and compared to last years July sale that resulted in $488,789 it demonstrates the level of interest and the value of the liquids within the Montney formation. In the 2016 calendar year $4.7 million had been collected from the January to July dispositions. The 2017 calendar year dispositions have collected $155 million.

While the money from successful bids for a PNG tenure is collected immediately and deposited into government's Consolidated Revenue Fund, the revenues from tenure disposition are reported on a deferred basis over nine years. This means that tenure bids collected this year will be divided equally between the current year and the following eight years when reported as revenue in the public accounts. This accounting practice is based on recommendations from the Auditor General.

Sales results (successful bidder and the amount of the successful bid) are posted on the Ministry's website the morning following "sale day". Notification of the results is also distributed by email to a subscription list. The Daily Oil Bulletin (a Calgary-based online trade journal) usually publishes an article analyzing the results of the disposition shortly after the results are posted on the Ministry website.

Results of the July disposition will be public on the morning of July 27, 2017 and it is expected the Daily Oil Bulletin's site will publish an article on it either the afternoon of July 27, 2017 or on the morning of July 28, 2017. Given the results of this disposition, it is likely that additional media enquiries will be received.

V CONCLUSION:

A high-value parcel of subsurface petroleum and natural gas rights was offered for disposition through sealed-bid auction on July 26, 2017 and sold for $77 million, putting this month's total sale at $84.7 million, within the top 30 monthly dispositions for British Columbia. The results of this disposition will be made public on the morning of July 27, 2017 and are likely to attract media attention, particularly as it compares with last year's July sale of only $488,789.

Attachment: Parcel1106007A_BN

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Pricing, Tenure and Royalty Policy
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APPROVED BY:
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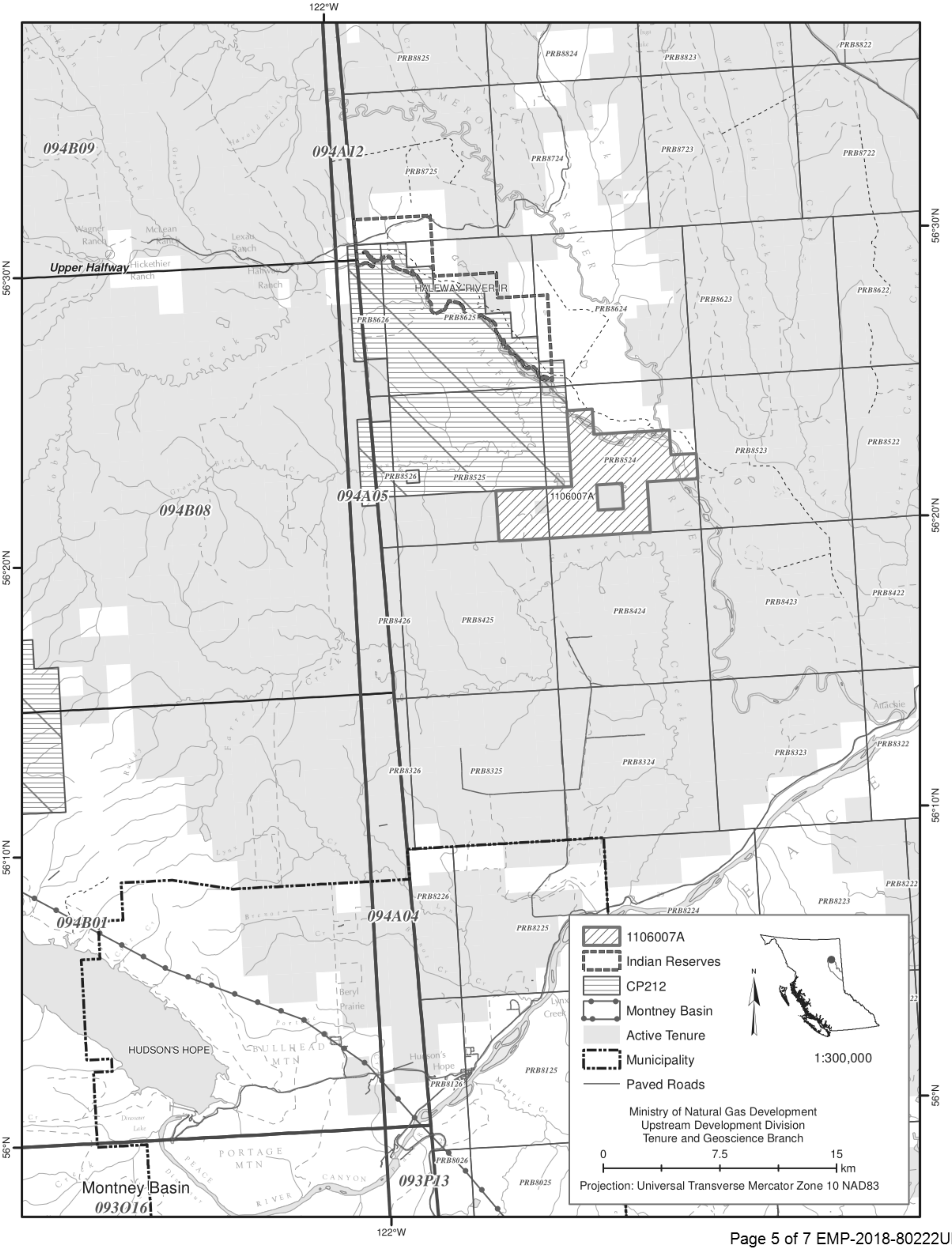
Upstream Development Division√

Dave Nikolejsin, DM√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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 Enbridge Inc. to discuss the company and its natural gas and Renewables business

III BACKGROUND:

Enbridge Inc. (Enbridge) is a global energy infrastructure company. Assets are diversified and balanced between natural gas and oil. Enbridge also has a rapidly growing renewable power generation business.

Enbridge delivers an average of 2.8 million barrels of crude oil each day through its Mainline and Express pipelines, and transports 28 percent of the crude oil produced in North America. Enbridge also gathers, transports, processes and stores natural gas, with 55,377 kilometres (km) of gas pipelines. Enbridge moves approximately 23 percent of all natural gas consumed in the U.S., serving key supply basins and demand markets. It has 11.4 billion cubic feet per day (Bcf/d) of processing capacity, 307 thousand barrels per day of natural gas liquids production, and 437 billion cubic feet (Bcf) of net natural gas storage capacity. Enbridge also has increasing involvement in power transmission.

Enbridge is expanding its interests in renewable and green energy technologies, including wind and solar energy and geothermal, with nearly 3,000 megawatts (MW) of net renewable generation and power transmission capacity, based on projects in operation or under construction.

Natural gas assets owned by Enbridge in B.C. include: Tupper Main and Tupper West natural gas processing plants near Dawson Creek; B.C. Pipeline; B.C. Field Services and Midstream Division (formerly owned by Spectra Energy/Westcoast Energy); and a 50 percent interest in the Alliance Pipeline and associated upstream processing facilities north of Fort St. John. The company also owns a majority stake in the Cabin Gas Plant in the Horn River Basin near Fort Nelson.

IV DISCUSSION:

Enbridge requested this meeting to introduce Mr. Fiedorek, Vice President Canadian Gas Transmission and Midstream since March 1, 2017. Mr. Fiedorek is responsible for the commercial success and business development of Enbridge's western-based Canadian gas businesses. He was previously Chairman of the Board and President at Spectra Energy since January 2013. Also at the meeting is Mr. Mike Gladstone, Senior Manager Government and Public Affairs. Mr. Fiedorek and Mr. Gladstone are planning to discuss

Enbridge's natural gas industry and the renewables industry including some of the innovation projects they are working on in Ontario.

Enbridge's largest recent investment in B.C. was the purchase and subsequent amalgamation with Spectra Energy (Spectra) in February of this year. Included in the Spectra acquisition was the B.C. Pipeline. The B.C. Pipeline transports approximately half of the natural gas produced in the province. The system begins in Northeast B.C. stretching from Fort Nelson as well as from Gordondale at the B.C. /Alberta border, south to the Canada/ U.S. border at Huntingdon/Sumas. The purchase included the B.C. Field Services and Midstream business that has 2,300 km of raw gas gathering pipelines and eight processing facilities with a capacity of 3 Bcf/d. The processing facilities include Fort Nelson Gas Plant, Fort Nelson North Processing Facility, Sikanni Gas Plant, McMahon Gas Plant, Pine River Gas Plant, Aitken Creek Gas Plant, Kwoen Gas Plant and the Dawson Processing Plant.

In addition to the Spectra asset acquisition, Enbridge operates the Tupper and Tupper West (southwest of Dawson Creek) gas processing plants with a combined capacity of 0.33 Bcf/day. Further north, the Cabin Gas Plant was intended to process natural gas produced from the Horn River Basin. The Horn River Basin is currently economically challenged because it has dry gas with no natural gas liquids as compared to the liquids-rich Montney basin. The Cabin Plant has been inactive since 2012. The first phase of the Cabin Gas Plant, designed to process 0.4 Bcf/d, was nearly complete when the project was paused.

The Alliance Pipeline provides an important link from B.C. into markets around Chicago, Illinois. The pipeline is specifically designed to carry natural gas with a high proportion of natural gas liquids such as propane and butane, allowing B.C. producers to fetch higher prices for these products in the U.S. Midwest.

Alliance announced an expression of interest for a 0.5 Bcf/d capacity expansion of their pipeline in March of 2017. The results were to be released this fall but have been delayed until first quarter of 2018. One of the reasons for delay includes Federal regulatory process uncertainty about the inclusion of upstream and downstream greenhouse gas emissions in a project's assessment. The projected in-service capacity expansion date of November 1, 2020 has been re-forecast for the second half of 2021.

V CONCLUSION:

With Enbridge's purchase of Spectra, Enbridge has now grown to have a very substantial presence as a service provider in the B.C. natural gas industry.

APPROVED BY:
Richard Grieve, ED, PAR, UDD ✓
Garth Thoroughgood, A/ADM, UDD✓
Dave Nikolejsin, DM, EMPR✓

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE

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

II ISSUE: FortisBC Inc.'s Interest in Acquiring the Waneta Dam

III BACKGROUND:

In May 2017, Teck announced that it had reached agreement with Fortis Inc. (Newfoundland-based parent to the FortisBC gas and electric utilities) to sell the remaining two-third interest in the Waneta dam for $1.2 billion. On June 2, 2017, Teck issued a right-of-first-offer (ROFO) Sales Notice to BC Hydro. BC Hydro must now respond by August 1, 2017 as to whether it will match the Fortis Inc. offer.

Fortis Inc. has $48 billion in assets as of December 31, 2016 and transmission, distribution and other assets represent 91 percent of Fortis Inc's total assets with the remaining 9 percent associated with generating electricity. Their electric and natural gas utilities serve more than 3 million customers. Annual revenue is $6.8 billion and their annual shareholder return is 10.29 percent. As of June 16, 2017, the market cap is $19 billion and they have an aggressive capital expenditure plan to grow rate base to around $30 billion in 2021.

In October 2016, Fortis closed the $15.7 billion (US$11.8 billion) transaction to acquire ITC, the largest independent electric transmission company in the United States. ITC operates in Michigan's Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma. The company also focuses on new areas where significant transmission system improvements are needed through ITC Grid Development and its subsidiaries.

Other Fortis Inc. companies include:

- UNS Energy is the Tucson, Arizona-based parent company of Tucson Electric Power (TEP), UNS Electric and UNS Gas. TEP serves more than 417,000 customers in and around Tucson, while UNS Electric serves 94,000 customers and UNS Gas serves 152,000 customers.

- Central Hudson is a regulated transmission and distribution utility, serving approximately 300,000 electricity customers and 79,000 natural gas customers in eight counties of New York State's Mid-Hudson River Valley.

- FortisBC is an integrated energy solutions provider focused on providing natural gas, electricity, propane and alternative energy solutions. Together, their gas and electricity utilities deliver over 21 percent of total energy consumed in BC and serve more than 1.1 million customers in 135 communities.

- FortisAlberta is an electric utility providing electricity distribution in central and southern Alberta. FortisAlberta serves 530,000 customers and delivered 24,447 GWh of electricity in 2015.

- FortisOntario is an electric utility which owns and operates Canadian Niagara Power, Cornwall Electric, and Algoma Power, serving a combined 65,000 customers. FortisOntario also owns regulated transmission assets in the Niagara and Cornwall regions and a 10 percent interest in three strategic affiliates

- Fortis Inc. also owns: Newfoundland Power, Maritime Electric, Caribbean Utilities and Fortis Turks and Caicos.

IV DISCUSSION:

Fortis Inc. has an interest to purchase the two-thirds interest in Waneta and discourage BC Hydro from exercising its right-of-first-offer. At the June 27, 2017 JP Morgan Energy Conference, Fortis Inc. noted the following with respect to the Waneta Dam offer:

- Fits strategy of growth within our existing franchise regions
- High-quality, renewable energy facility located in current operational area.
- Currently operated by FortisBC.
- Stable long-term contracted asset that will generate strong cash flows secured by a 20-year agreement with Teck.
- Natural fit with our strategy to increase our investment in sustainable energy.
- The transaction is expected to be immediately accretive to earnings per share.

Fortis Inc. is expected to raise the benefits of signalling the private sector's investment interest in British Columbia and raise concerns with BC Hydro acquiring the remaining interest in Waneta, including:

- the province's level of GDP/debt and credit rating. Moody's has already noted that they do not expect a negative impact to the province's credit rating.
- the private sector competing with a government-owned entity. BC Hydro is matching Fortis Inc.'s offer and is not competing with Fortis Inc. in acquiring the remaining interest in Waneta.

V CONCLUSION:

BC Hydro is matching Fortis Inc's offer to Teck to acquire the remaining two-thirds interest in the Waneta dam.

DRAFTED BY:	**APPROVED BY:**
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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: First Nations participation in clean energy and BC Hydro's Standing Offer Program - August 2017 Update

III BACKGROUND:

First Nations interests in clean energy development

First Nations communities have an interest in clean energy development because it can stimulate economic development and provide opportunities to displace diesel generation with cleaner electricity. First Nations have sought to either partner with independent power producers (IPPs) to develop projects or develop their own projects with the intent that BC Hydro would purchase their power. The Standing Offer Program (SOP) is currently the only opportunity for First Nations and IPPs to sell their power to BC Hydro. There are opportunities to displace diesel generation but they are generally smaller scale and less lucrative than acquiring an Electricity Purchase Agreement (EPA) through the SOP.

First Nations interest in clean energy development has been stimulated, in part, by the First Nations Clean Energy Business Fund (FNCEBF) enabled by the *Clean Energy Act* (CEA). The FNCEBF promotes increased indigenous community participation in the clean energy sector within their asserted traditional territories and treaty areas. The fund provides agreements between Government and First Nations for development funding. It also provides revenue sharing agreements between Government and First Nations. The Ministry of Indigenous Relations and Reconciliation is responsible for administering the FNCEBF.

Background on the SOP

The SOP for small-scale, permit ready, clean energy projects was launched in April 2008. BC Hydro originally established an SOP for clean or renewable, and high efficiency natural gas fired co-generation facilities of 10 megawatts (MW) or less in response to the 2007 BC Energy Plan. It was approved by the British Columbia Utilities Commission under a negotiated settlement agreement.

In 2010, as part of the enactment of the CEA, section 15 was included requiring that BC Hydro establish and maintain the SOP and acquire electricity from facilities using clean or renewable resources or high-efficiency co-generation. The CEA stipulates that BC Hydro may establish the criteria, terms and conditions of the program. Shortly after the CEA was passed, Government increased the eligible nameplate capacity to 15 MW.

BC Hydro's Government-approved 2013 Integrated Resource Plan (IRP)included a Clean Energy Strategy, which broadened opportunities for small projects (0.1 MW to 15 MW) by increasing the program energy target volume from 50 gigawatts per year (GWh/yr) to 150 GWh/yr.

In 2014, the eligibility of natural gas co-generation facilities under the SOP was removed by regulation to focus the SOP on projects using clean or renewable resources and remove any potential for projects using natural gas to enter into the program.

Opportunities under the SOP are limited due to current surplus and focus on keeping rates low

On February 29, 2016, BC Hydro announced program changes to the SOP including the structure of the Micro-SOP and a process to optimize the SOP.

The Micro-SOP is for projects between 0.1 – 1 MW and requires they be shovel ready and use clean or renewable resources to generate electricity. Payment is net of customer demand, and Micro-SOP energy volumes will be included in the SOP target volume of 150 GWh/yr. The program is open to First Nations, municipalities, not-for-profit community groups, the public sector and agricultural sector.

To date, 26 EPAs have been awarded under the SOP. These 26 EPAs total approximately 177 MW of nameplate capacity and 650 GWh/year of total estimated energy output. Sixteen of the EPAs are for small hydro projects, four are for wind, three are for biogas, two are for biomass, and one is for a solar project. Seven of the projects are in the Lower Mainland, seven are on Vancouver Island, ten are in the Interior, and two are in the Peace River region. BC Hydro is currently processing 14 SOP applications and 3 Micro-SOP applications for the 2018 and 2019 target commercial operation date (COD) years.

BC Hydro, Clean Energy BC and Government have met several times to discuss ways to optimize the SOP and the Micro-SOP to better reflect recent technological advancements and changing system needs, and to determine how to find cost saving to help keep rates low. s.13,s.21

s.13,s.21

In August 2016, BC Hydro posted an update on the SOP website advising that it had received sufficient applications to fill the available target volume to the end of 2019. Applications received after the date of the notice would be reviewed, but no volume would be assigned for target COD years beyond 2019 until the SOP optimization process is completed.

s.13,s.21

s.13,s.21 On August 18, 2017, BC Hydro suspended accepting applications for the SOP until the review of the program can be completed. They noted publically that the review of the SOP is taking longer than originally anticipated. BC Hydro also reminded applicants that spending during the existing program uncertainty is at the applicant's own risk.

IV DISCUSSION:

s.13

s.13

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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, Honourable Harry Bains, Minister of Labour, Honourable George Heyman, Minister of Environment and Climate Change Strategy

II ISSUE: Meeting with International Union of Operating Engineers (IUOE)

III BACKGROUND:

- It is estimated that the Trans Mountain Expansion Project (Project) will provide 189,000 person-years of employment in B.C.
- Four Craft Unions sent a letter to Premier Horgan, dated July 19, 2017, in which a meeting was requested to discuss their discontent at having not been selected to participate in building the Project. They also expressed concern that Kinder Morgan (KM) had prioritized cost effectiveness over worker qualification in its contract procurement.
- The Four Craft Unions who expressed concerns were the International Union of Operating Engineers (IUOE), the Labourer's International Union of North America (LIUNA), United Association (UA) Canada (Canadian Piping Trades), and Teamsters Canada.
- Unions play an important role in protecting workers' rights and safety. This role is of particular importance in risky industries including construction.
- The International Union of Operating Engineers (IUOE) Canada represents over 50,000 Canadian workers, with 11,000 members in British Columbia (B.C.)
- IUOE primarily represents operating engineers (heavy equipment operators, mechanics and surveyors) and stationary engineers (workers in operations and maintenance in building and industrial complexes, and in the service industries).
- IUOE is a member of the Canadian Labour Congress.

IV DISCUSSION:

Trans Mountain Expansion Project

- The Government of B.C. has stated that it will use every tool available to defend B.C.'s interests regarding Kinder Morgan's (KM's) Trans Mountain Expansion Project (Project).
- The contract procurement process on the Project consisted of a submission of bids by contractors utilizing union, non-union and First Nations labour, with the exception of Spread 6 (Fraser Valley) which was reserved for union and First Nations labour. Contracts were awarded based on the competitiveness of the bids.

- KM released a list of head contractors selected on each spread of the Project on September 6, 2017. Of the contractors selected for spreads other than Spread 6, several employ unionized labour through the Canadian Iron, Steel and Industrial Workers Union, which is not among the Four Craft Unions.

- IUOE will be meeting with KM this week. KM has indicated that it continues to meet with unions, and is willing to meet with government to address concerns regarding hiring and labour.

According to the April 6, 2016 Agreement, TMP is committed to a "British Columbia First" policy and contracting with respect to the work in BC on the Project. TM is to make reasonable efforts to hire locally and to competitively and openly contract with BC business and First Nations. These requirements are subject to TM's standards, competitive pricing and existing commitments. In light of the bid approach and the efforts on Spread 6 to identify BC firms TMP has met the Agreement conditions. KM has indicated that there are future opportunities for unionized work and that Unions should continue to meet and discuss possibilities with KM.

V CONCLUSION:

- IUOE is encouraged to continue discussions with KM regarding opportunities for union labour on the Project.

PREPARED BY:	**REVIEWED BY:**
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	Dave Nikolejsin √