

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Carole James  
Minister of Finance  
and Deputy Premier

**Date Requested:** June 3, 2019  
**Date Required:** June 5, 2019

**Initiated by:** Richard Purnell  
Executive Director  
Tax Policy Branch

**Date Prepared:** June 3, 2019

**Ministry Contact:** David Karp  
Director, Income Tax  
Tax Policy Branch

**Phone Number:** 778-698-5778  
**Email:** David.Karp@gov.bc.ca  
**Cliff #:** 381955

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**TITLE:** Natural Gas Income Tax Credit Regulations – Major LNG Facility

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**PURPOSE:**

**(X) DECISION REQUIRED**

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**DATE PREPARED:** June 3, 2019

**TITLE:** Natural Gas Income Tax Credit Regulations – Major LNG Facility

**ISSUE:** s.13

**BACKGROUND:**

On March 22, 2018, the Office of the Premier announced a new investment fiscal framework for natural gas development in B.C., to “welcome investment that puts our Province’s people and future first and reject the old ways of resource development at any cost.” Under the new approach, all projects should:

- Provide a fair return for B.C.’s natural resources.
- Provide for jobs and training opportunities for British Columbians.
- Respect and make partners of First Nations.
- Protect B.C.’s air, land and water, including living up to the Province’s climate commitments.

To the extent a project meets these conditions, the Province introduced a new investment fiscal framework (Framework) designed to put natural gas development on a level playing field with other industrial sectors. The new Framework, from which LNG Canada will benefit, provides:

1. General industrial electricity rates charged by BC Hydro that are consistent with other industrial users in B.C.;
2. Relief from provincial sales tax (PST), generally in line with the policy for manufacturing sectors, subject to proponents entering into Operating Performance Payment Agreements over specified terms. s.13
3. Elimination of the LNG income tax, which prescribed and levied LNG-specific tax rates, but retention of the associated 3 per cent natural gas income tax credit for “major” LNG facilities; and
4. Participation by the LNG industry in the CleanBC Industrial Incentive program. This includes participation in the development of new greenhouse gas emission standards and rules under the new CleanBC program.

s.13

***Major LNG Facility Threshold***

s.12; s.13

Based on the government's new Framework, the *Income Tax Amendment Act, 2019* sets out that the natural gas tax credit will be limited to "major" facilities and that the capacity threshold for qualifying as a major facility will be determined by regulation.

s.12; s.13

**DISCUSSION:**

s.13

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Withheld pursuant to/removed as

s.12; s.13



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**DISCUSSION:**

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s.12; s.13

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3. Elimination of the LNG income tax, which prescribed and levied LNG-specific tax rates, but retention of the associated 3% natural gas income tax credit for “major” LNG facilities; and
4. Participation by the LNG industry in the CleanBC Industrial Incentive program. This includes participation in the development of new greenhouse gas emission standards and rules under the new CleanBC program.

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**DISCUSSION:**

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s.12; s.13



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s.13; s.12

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To the extent a project meets these conditions, the Province introduced a new fiscal framework designed to put natural gas development on a level playing field with other industrial sectors. The new framework, to which LNG Canada will be subject to, provides:

- Relief from provincial sales tax (PST), in line with the policy for manufacturing sectors, s.13
- New greenhouse gas emission standards under the Clean Growth Incentive Program.
- General industrial electricity rates consistent with other industrial users in B.C.
- Elimination of the LNG income tax, which required LNG-specific tax rates, but keep the associated 3 per cent natural gas tax credit for “major” LNG facilities.

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***Major LNG Facility Threshold***

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s.13

## DISCUSSION:

s.13

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s.13; s.12

Page 050 of 117 to/à Page 055 of 117

Withheld pursuant to/removed as

s.12; s.13



## Justesen, Josh T FIN:EX

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**From:** Foster, Doug FIN:EX  
**Sent:** January 11, 2019 6:53 AM  
**To:** Manahan, Suzanne EMPR:EX  
**Subject:** FW: Backgrounder needed for Minister  
**Attachments:** PO\_Meeting\_Woodfibre.docx

Suzanne, have you got a revised and signed off information/decision note?  
Critical we get first thing this AM so we can get over to our MO.  
d

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 10, 2019 4:50 PM  
**To:** Manahan, Suzanne EMPR:EX <Suzanne.Manahan@gov.bc.ca>  
**Cc:** Turner, Geoff J EMPR:EX <Geoff.Turner@gov.bc.ca>  
**Subject:** RE: Backgrounder needed for Minister

Oh oh.  
Just read your note.  
Think we should chat.  
You available now?  
d

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 10, 2019 3:56 PM  
**To:** Manahan, Suzanne EMPR:EX <Suzanne.Manahan@gov.bc.ca>  
**Cc:** Turner, Geoff J EMPR:EX <Geoff.Turner@gov.bc.ca>  
**Subject:** Re: Backgrounder needed for Minister

Ok. Will wait final signed off. D

Sent from my BlackBerry 10 smartphone on the Rogers network.

---

**From:** Manahan, Suzanne EMPR:EX  
**Sent:** Thursday, January 10, 2019 3:28 PM  
**To:** Foster, Doug FIN:EX  
**Cc:** Turner, Geoff J EMPR:EX  
**Subject:** RE: Backgrounder needed for Minister

I would think by end of day. Draft is attached, let me know if you have any question or need more details.

I will send you the clean copy once received.

Suzanne

---

**From:** Foster, Doug FIN:EX  
**Sent:** Thursday, January 10, 2019 3:19 PM  
**To:** Manahan, Suzanne EMPR:EX

**Cc:** Turner, Geoff J EMPR:EX  
**Subject:** RE: Backgrounder needed for Minister

How long before DMO approval?  
Hoping to get over to our min office for 4:30.  
Else draft will be fine for now.  
d

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**From:** Manahan, Suzanne EMPR:EX  
**Sent:** January 10, 2019 3:18 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Cc:** Turner, Geoff J EMPR:EX <[Geoff.Turner@gov.bc.ca](mailto:Geoff.Turner@gov.bc.ca)>  
**Subject:** RE: Backgrounder needed for Minister

You bet, going through DM approval now. Did you want the unapproved draft?

---

**From:** Foster, Doug FIN:EX  
**Sent:** Thursday, January 10, 2019 3:17 PM  
**To:** Manahan, Suzanne EMPR:EX  
**Cc:** Turner, Geoff J EMPR:EX  
**Subject:** FW: Backgrounder needed for Minister

Suzanne, you got something for me?  
d

---

**From:** Turner, Geoff J EMPR:EX  
**Sent:** January 9, 2019 3:49 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Subject:** RE: Backgrounder needed for Minister

She's pulling things together now and will send along tomorrow.

Thanks  
Geoff

---

**From:** Foster, Doug FIN:EX  
**Sent:** Wednesday, January 9, 2019 3:39 PM  
**To:** Turner, Geoff J EMPR:EX  
**Subject:** Re: Backgrounder needed for Minister

s.13

Sent from my BlackBerry 10 smartphone on the Rogers network.

---

**From:** Foster, Doug FIN:EX  
**Sent:** Wednesday, January 9, 2019 3:36 PM  
**To:** Turner, Geoff J EMPR:EX  
**Subject:** Re: Backgrounder needed for Minister

Ah. That explains the JTT connection. D

Sent from my BlackBerry 10 smartphone on the Rogers network.

---

**From:** Turner, Geoff J EMPR:EX  
**Sent:** Wednesday, January 9, 2019 3:35 PM  
**To:** Foster, Doug FIN:EX  
**Subject:** RE: Backgrounder needed for Minister

I've asked Suzanne to do that.

s.22

Minister Ralston is acting s.22

---

**From:** Foster, Doug FIN:EX  
**Sent:** Wednesday, January 9, 2019 3:29 PM  
**To:** Turner, Geoff J EMPR:EX  
**Subject:** RE: Backgrounder needed for Minister

Ok thanks.

s.13; s.22

d

---

**From:** Turner, Geoff J EMPR:EX  
**Sent:** January 9, 2019 3:26 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Subject:** RE: Backgrounder needed for Minister

Hi Doug,

I don't have anything on these guys – Suzanne Manahan is exec lead for that particular project and should have material ready to hand. I've passed on your request to her and asked that she send you whatever she has.

Thanks  
Geoff

---

**From:** Foster, Doug FIN:EX  
**Sent:** Wednesday, January 9, 2019 2:58 PM  
**To:** Turner, Geoff J EMPR:EX  
**Subject:** FW: Backgrounder needed for Minister  
**Importance:** High

Got a rush due for tomorrow.

Got a briefing note on status and issues?

s.13

Can you help?

d

---

**From:** Michell, Jennifer FIN:EX  
**Sent:** January 9, 2019 2:16 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Cc:** Justesen, Josh T FIN:EX <[Josh.Justesen@gov.bc.ca](mailto:Josh.Justesen@gov.bc.ca)>  
**Subject:** Backgrounder needed for Minister  
**Importance:** High

Hi Doug

Minister is meeting on Monday with the PO and MGH & MBR regarding Woodfibre. Apologies for the late notice, but can you please pull together an IBN/backgrounder for our Minister on this topic? Need by Friday morning, 10 am so I can obtain DM approval prior to sending over.

Thanks very much  
Jen

**Jennifer Michell**

Director, Executive Operations & Strategic Initiatives  
Office of the Deputy Minister | Ministry of Finance  
Tel. 250-356-6696 | Email: [Jennifer.Michell@gov.bc.ca](mailto:Jennifer.Michell@gov.bc.ca)

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES**

**BRIEFING NOTE FOR DECISION**

**I PREPARED FOR:** Honourable John Horgan, Premier

**II ISSUE:** Woodfibre LNG: Squamish First Nations Liquefied Natural Gas (LNG) Benefits Agreement.

**III BACKGROUND:**

Woodfibre LNG (Woodfibre) is proposing a 2.1 million tonnes per annum facility on privately owned land in Howe Sound that will utilize electrically driven liquefied natural gas (LNG) trains.

The Project is owned and operated by Woodfibre LNG Limited, a privately held Canadian company headquartered 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 has received environmental approvals from the BC Environmental Assessment Office (BCEAO), Canadian Environmental Assessment Agency (CEAA) and a Squamish Nation Environmental Assessment Agreement.

In November 2016, Woodfibre announced the project received board approval to proceed. Woodfibre has communicated its intentions to issue a Notice to Proceed (Final Investment Decision) and commence constructions late Q1 early Q2, 2019.

Woodfibre has commenced decommissioning, pre-construction work onsite with completion scheduled for January 2019. The contract was awarded to Sukwi7 Contracting Ltd., a Squamish First Nation owned company.

Woodfibre LNG will create an estimated 650 direct and 1080 indirect and induced jobs during the construction phase and up to 100 full time jobs during full-capacity operations. Additional employment opportunities will be created in the construction period for the FortisBC Eagle Mountain pipeline that will be servicing the facility.

During construction and expected 40 years of operation, government revenues have been estimated at \$1.6 - 2.6 billion.

Woodfibre has submitted its facilities permit application to the BC Oil and Gas commission and is expecting permit issuance in January 2019.

Woodfibre has concluded commercial agreements with BC Hydro and substantially completed its commercial agreements with FortisBC. Woodfibre commercial offtake agreements have the projects LNG capacity fully committed.

Woodfibre intends to use clean energy from the BC Hydro grid for compression resulting in a LNG project with the lowest global emissions profile. Emissions from the LNG sector, including Woodfibre LNG were taken into consideration and have been confirmed as aligning under the CleanBC plan (see table).

s.13

SFN has signed confidential benefits agreements with Woodfibre and FortisBC. While the province is not privy to these agreements, in general benefits from these agreements provide opportunities for the First Nations to directly benefit from the LNG project infrastructure impacting their territories; include legal components of accommodation for asserted rights and title, and secure support for the project and associated infrastructure.

Under existing mandates, the Province and BC Hydro negotiated a Squamish First Nation LNG Benefits Agreement (“the Agreement”, dated November 13, 2018). Council approved the negotiated Agreement on November 21, 2018, subject to the terms and conditions.

The Province is now seeking approval to finalize the Agreement which includes cash benefits, Crown land transfers and leases.

#### **IV DISCUSSION:**

s.13; s.16; s.17

The Agreement supports BC's commitment to a strong innovative economy with Indigenous Peoples as valued and productive partners. These agreements support First Nations rights to self-determination; self-government and the opportunity to participate in the economy as described in UNDRIP.

The agreement will secure First Nations' support for a key economic driver that assists government's fiscal plan and economic development; will contribute towards ongoing reconciliation and the Province's commitment to support First Nations in economic partnerships by ensuring the First Nation communities benefit economically from LNG development in their asserted territories.

The nature of the agreement would reflect that the Province is willing to provide significant cash and land benefits to First Nations who are affected by LNG facility-related infrastructure and the marine shipping of LNG through coastal territories asserted by First Nations.

## **V OPTIONS:**

s.12; s.13; s.16

**Drafted by:**  
Suzanne Manahan, Executive Lead  
Woodfibre Implementation Team  
250-217-1567

**Approved by:**  
Suzanne Manahan, EL, WIT ✓  
Dave Nikolejsin, DM, EMPR



## Justesen, Josh T FIN:EX

---

**From:** Michell, Jennifer FIN:EX  
**Sent:** January 11, 2019 12:52 PM  
**To:** Foster, Doug FIN:EX  
**Subject:** Fwd: Backgrounder needed for Minister  
**Attachments:** MCJ - PO - MBR - MGH - Woodfibre LNG - Jan 2019 TBS.docx; ATT00001.htm

Hi Doug

Can you let me know if this is good for Loris review now? I'd like to get her approval and send to MO today

Thx

Sent from my iPhone

Begin forwarded message:

**From:** "Sangha, Karina FIN:EX" <[Karina.Sangha@gov.bc.ca](mailto:Karina.Sangha@gov.bc.ca)>  
**Date:** January 11, 2019 at 9:45:41 AM PST  
**To:** "Foster, Doug FIN:EX" <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Cc:** "John, Rebecca FIN:EX" <[Rebecca.John@gov.bc.ca](mailto:Rebecca.John@gov.bc.ca)>, "Chandler, Alex FIN:EX" <[Alex.Chandler@gov.bc.ca](mailto:Alex.Chandler@gov.bc.ca)>, "Michell, Jennifer FIN:EX" <[Jennifer.Michell@gov.bc.ca](mailto:Jennifer.Michell@gov.bc.ca)>, "Livingstone, Rob FIN:EX" <[Rob.Livingstone@gov.bc.ca](mailto:Rob.Livingstone@gov.bc.ca)>  
**Subject:** RE: Backgrounder needed for Minister

Doug,

A drafted note with information from EMPR and MIRR is attached for your review.

Please let me know if you need us to dig into anything else in the interim.

Thanks,  
Karina

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 11, 2019 7:59 AM  
**To:** Sangha, Karina FIN:EX <[Karina.Sangha@gov.bc.ca](mailto:Karina.Sangha@gov.bc.ca)>  
**Cc:** John, Rebecca FIN:EX <[Rebecca.John@gov.bc.ca](mailto:Rebecca.John@gov.bc.ca)>; Chandler, Alex FIN:EX <[Alex.Chandler@gov.bc.ca](mailto:Alex.Chandler@gov.bc.ca)>; Michell, Jennifer FIN:EX <[Jennifer.Michell@gov.bc.ca](mailto:Jennifer.Michell@gov.bc.ca)>; Livingstone, Rob FIN:EX <[Rob.Livingstone@gov.bc.ca](mailto:Rob.Livingstone@gov.bc.ca)>  
**Subject:** RE: Backgrounder needed for Minister

Ok. Track with Suzanne too and I will send the revised note when I see it.

s.13

d

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**From:** Sangha, Karina FIN:EX  
**Sent:** January 11, 2019 7:55 AM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Cc:** John, Rebecca FIN:EX <[Rebecca.John@gov.bc.ca](mailto:Rebecca.John@gov.bc.ca)>; Chandler, Alex FIN:EX <[Alex.Chandler@gov.bc.ca](mailto:Alex.Chandler@gov.bc.ca)>; Michell, Jennifer FIN:EX <[Jennifer.Michell@gov.bc.ca](mailto:Jennifer.Michell@gov.bc.ca)>; Livingstone, Rob FIN:EX <[Rob.Livingstone@gov.bc.ca](mailto:Rob.Livingstone@gov.bc.ca)>  
**Subject:** Re: Backgrounder needed for Minister

Morning Doug - thanks for passing this along.

s.12; s.13

I will review what you have provided in greater detail and get some comments added.

**Karina Sangha**  
Treasury Board Analyst  
Ministry of Finance

Sent from my iPhone

On Jan 11, 2019, at 7:38 AM, Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)> wrote:

Need your help on a rush assignment.

As per the very bottom of this chain, our Minister is meeting on Monday with the PO and MGH & MBR regarding Woodfibre.

As you likely know, sometimes we don't get much background on what these meetings are about in advance, and so have to go digging – this is one of those.

s.12

I attach a shell Finance information note which will have attached the revised EMPR B/N when we get it.

Can you add some TBS comments so we can get to Lorri for review and then to our MO this AM?

Perhaps your shop is already all over this and have already provided background info?

Welcome your thoughts on this.

d.

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**From:** Foster, Doug FIN:EX  
**Sent:** January 11, 2019 6:53 AM  
**To:** Manahan, Suzanne EMPR:EX <[Suzanne.Manahan@gov.bc.ca](mailto:Suzanne.Manahan@gov.bc.ca)>  
**Subject:** FW: Backgrounder needed for Minister

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**Cc:** Turner, Geoff J EMPR:EX <[Geoff.Turner@gov.bc.ca](mailto:Geoff.Turner@gov.bc.ca)>  
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**From:** Turner, Geoff J EMPR:EX  
**Sent:** Wednesday, January 9, 2019 3:35 PM  
**To:** Foster, Doug FIN:EX  
**Subject:** RE: Backgrounder needed for Minister

I've asked Suzanne to do that.

s.22

Minister

Ralston is acting s.22

---

**From:** Foster, Doug FIN:EX  
**Sent:** Wednesday, January 9, 2019 3:29 PM  
**To:** Turner, Geoff J EMPR:EX  
**Subject:** RE: Backgrounder needed for Minister

Ok thanks.

s.13; s.22

d

---

**From:** Turner, Geoff J EMPR:EX  
**Sent:** January 9, 2019 3:26 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Subject:** RE: Backgrounder needed for Minister

Hi Doug,

I don't have anything on these guys – Suzanne Manahan is exec lead for that particular project and should have material ready to hand. I've passed on your request to her and asked that she send you whatever she has.

Thanks  
Geoff

---

**From:** Foster, Doug FIN:EX  
**Sent:** Wednesday, January 9, 2019 2:58 PM  
**To:** Turner, Geoff J EMPR:EX  
**Subject:** FW: Backgrounder needed for Minister  
**Importance:** High

Got a rush due for tomorrow.  
Got a briefing note on status and issues?

s.13

Can you help?  
d

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**From:** Michell, Jennifer FIN:EX  
**Sent:** January 9, 2019 2:16 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Cc:** Justesen, Josh T FIN:EX <[Josh.Justesen@gov.bc.ca](mailto:Josh.Justesen@gov.bc.ca)>  
**Subject:** Backgrounder needed for Minister  
**Importance:** High

Hi Doug

Minister is meeting on Monday with the PO and MGH & MBR regarding Woodfibre. Apologies for the late notice, but can you please pull together an IBN/backgrounder for our Minister on this topic? Need by Friday morning, 10 am so I can obtain DM approval prior to sending over.

Thanks very much  
Jen

**Jennifer Michell**  
Director, Executive Operations & Strategic Initiatives  
Office of the Deputy Minister | Ministry of Finance  
Tel. 250-356-6696 | Email: [Jennifer.Michell@gov.bc.ca](mailto:Jennifer.Michell@gov.bc.ca)

<PO\_Meeting\_Woodfibre.docx>

<MCJ - PO - MBR - MGH - Woodfibre LNG - Jan 2019 - 1.docx>

<p style="text-align: center;"><b>BACKGROUNDER</b></p> <p><b>Issue: Woodfibre LNG – Squamish First Nations Liquefied Natural Gas (LNG) Benefits Agreement</b></p> <p><b>Meeting: January 14, 2019</b></p> <p><b>Date: January 11, 2019</b></p>	<p style="text-align: center;"><b>MEETING –</b></p> <ul style="list-style-type: none"> <li>• <b>Premier</b></li> <li>• <b>Minister of Finance</b></li> <li>• <b>A/Minister of Energy, Mines and Petroleum Resources</b></li> <li>• <b>Minister of Environment and Climate Change Strategy</b></li> </ul>
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## KEY FACTS REGARDING THE ISSUE:

- A meeting is scheduled to discuss next steps on concluding a Squamish First Nations Liquefied Natural Gas (LNG) Benefits Agreement, in relation to the Woodfibre LNG project (the Project), which is owned by Woodfibre LNG Limited (Woodfibre).
- A Ministry of Energy, Mines and Petroleum Resources (EMPR) briefing note is attached, which was prepared in consultation with the Ministries of Indigenous Relations and Reconciliation; and Environment and Climate Change Strategy.

## KEY POINTS:

### *Context*

- In November 2016, Woodfibre announced that the Project had received board approval to proceed. Woodfibre has communicated its intentions to issue a Notice to Proceed (Final Investment Decision) and commence construction in early 2019.
- The Province is concluding agreements related to the proposed Project facility, the related FortisBC Eagle Mountain natural gas pipeline, and associated BC Hydro infrastructure with Squamish.  
s.12; s.17
- Under existing mandates approved by the previous government, the Province and BC Hydro have negotiated a Squamish First Nation LNG Benefits Agreement (the Agreement). Squamish Council approved the Agreement on November 21, 2018. Squamish has also signed confidential benefits agreements with Woodfibre and FortisBC.
- The Province is now seeking approval to finalize the Agreement s.12  
s.12
- EMPR is seeking the necessary approvals to support ratification of the Agreement by the end of January 2019, at which time Squamish intends to hold a signing ceremony with the participation of the acting EMPR Minister and Woodfibre.  
s.12; s.13; s.17

### *Fiscal Impacts*

- Table 1 below provides a breakdown of the fiscal impacts associated with the Squamish Agreement, based on information provided by EMPR and MIRR.

**Table 1: Squamish Agreement Fiscal Impacts**

Squamish LNG Facilities Benefits			
Benefit and Related Costs	Description	Value (millions, nominal)	Trigger
Cash	One-time benefits	\$1.00	Signing of agreement
	One-time benefits	\$0.80	First anniversary of effective date
	One-time benefits	\$0.80	Second anniversary of effective date
	One-time benefits	\$7.60	In service date of Woodfibre
	One-time benefits	\$0.50	Community recreation fund to be paid in 2019/20
	Ongoing Benefits*	\$112.97	\$1.6 million** annually starting on the first, second and third anniversary of in service date of Woodfibre and then \$2.0 million** starting on the fourth anniversary (assuming payments over 40 years)
	<b>Total Cash</b>	<b>\$123.67</b>	

\*Based on 2.1 MTPA of LNG produced and this amount will be adjusted (i.e. pro-rated) if actual production deviates by more than 10%. \*\* Adjusted for inflation which is assumed to be 2% per year. \*\*\*mandate approved by previous government.

- In addition to cash benefits, the Agreement also includes the following land transfers:
  - Transfer of two parcels, triggered upon signing; and
  - Transfer of four other parcels over the life of the Agreement.

s.12; s.13

## KEY MESSAGES:

s.12; s.13

Program area: Karina Sangha TBS (778) 698-7261 / Doug Foster DMO) (250) 387-9022



## Justesen, Josh T FIN:EX

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**From:** Justesen, Josh T FIN:EX  
**Sent:** January 11, 2019 2:37 PM  
**To:** Foster, Doug FIN:EX  
**Subject:** Backgrounder needed for Minister  
**Attachments:** PO\_Meeting\_Woodfibre.docx

Hey Doug,

Can you please confirm - is this the BN that you were referring to re: Woodfibre?

Thanks,

**Josh Justesen**

Administrative Coordinator

Deputy Minister's Office | Ministry of Finance

Phone: (250) 387-1660 | [Josh.Justesen@gov.bc.ca](mailto:Josh.Justesen@gov.bc.ca)

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES**

**BRIEFING NOTE FOR DECISION**

**I PREPARED FOR:** Honourable John Horgan, Premier

**II ISSUE:** Woodfibre LNG: Squamish First Nations Liquefied Natural Gas (LNG) Benefits Agreement.

**III BACKGROUND:**

Woodfibre LNG (Woodfibre) is proposing a 2.1 million tonnes per annum facility on privately owned land in Howe Sound that will utilize electrically driven liquefied natural gas (LNG) trains.

The Project is owned and operated by Woodfibre LNG Limited, a privately held Canadian company headquartered 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 has received environmental approvals from the BC Environmental Assessment Office (BCEAO), Canadian Environmental Assessment Agency (CEAA) and a Squamish Nation Environmental Assessment Agreement.

In November 2016, Woodfibre announced the project received board approval to proceed. Woodfibre has communicated its intentions to issue a Notice to Proceed (Final Investment Decision) and commence constructions late Q1 early Q2, 2019.

Woodfibre has commenced decommissioning, pre-construction work onsite with completion scheduled for January 2019. The contract was awarded to Sukwi7 Contracting Ltd., a Squamish First Nation owned company.

Woodfibre LNG will create an estimated 650 direct and 1080 indirect and induced jobs during the construction phase and up to 100 full time jobs during full-capacity operations. Additional employment opportunities will be created in the construction period for the FortisBC Eagle Mountain pipeline that will be servicing the facility.

During construction and expected 40 years of operation, government revenues have been estimated at \$1.6 - 2.6 billion.

Woodfibre has submitted its facilities permit application to the BC Oil and Gas commission and is expecting permit issuance in January 2019.

Woodfibre has concluded commercial agreements with BC Hydro and substantially completed its commercial agreements with FortisBC. Woodfibre commercial offtake agreements have the projects LNG capacity fully committed.

Woodfibre intends to use clean energy from the BC Hydro grid for compression resulting in a LNG project with the lowest global emissions profile. Emissions from the LNG sector, including Woodfibre LNG were taken into consideration and have been confirmed as aligning under the CleanBC plan (see table).

s.13

SFN has signed confidential benefits agreements with Woodfibre and FortisBC. While the province is not privy to these agreements, in general benefits from these agreements provide opportunities for the First Nations to directly benefit from the LNG project infrastructure impacting their territories; include legal components of accommodation for asserted rights and title, and secure support for the project and associated infrastructure.

Under existing mandates, the Province and BC Hydro negotiated a Squamish First Nation LNG Benefits Agreement (“the Agreement”, dated November 13, 2018). Council approved the negotiated Agreement on November 21, 2018, subject to the terms and conditions.

The Province is now seeking approval to finalize the Agreement which includes cash benefits, Crown land transfers and leases.

#### **IV DISCUSSION:**

s.13; s.16; s.17

The Agreement supports BC's commitment to a strong innovative economy with Indigenous Peoples as valued and productive partners. These agreements support First Nations rights to self-determination; self-government and the opportunity to participate in the economy as described in UNDRIP.

The agreement will secure First Nations' support for a key economic driver that assists government's fiscal plan and economic development; will contribute towards ongoing reconciliation and the Province's commitment to support First Nations in economic partnerships by ensuring the First Nation communities benefit economically from LNG development in their asserted territories.

The nature of the agreement would reflect that the Province is willing to provide significant cash and land benefits to First Nations who are affected by LNG facility-related infrastructure and the marine shipping of LNG through coastal territories asserted by First Nations.

## **V OPTIONS:**

s.12; s.13; s.16

**Drafted by:**  
Suzanne Manahan, Executive Lead  
Woodfibre Implementation Team  
250-217-1567

**Approved by:**  
Suzanne Manahan, EL, WIT ✓  
Dave Nikolejsin, DM, EMPR

## Justesen, Josh T FIN:EX

---

**From:** Sangha, Karina FIN:EX  
**Sent:** January 11, 2019 3:00 PM  
**To:** Michell, Jennifer FIN:EX  
**Cc:** Foster, Doug FIN:EX; Chandler, Alex FIN:EX; Livingstone, Rob FIN:EX  
**Subject:** RE: Backgrounder needed for Minister  
**Attachments:** MCJ - PO - MBR - MGH - Woodfibre LNG - Jan 2019.docx; DRAFT EMPR BN - Woodfibre Jan 2019.docx

Good afternoon Jennifer,

Please see the attached materials regarding the Monday meeting on Woodfibre LNG, including a draft note from EMPR to be provided as an additional attachment/supplement.

Please let me know if you have any questions or require any additional information.

Thank you,  
Karina

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 11, 2019 7:38 AM  
**To:** John, Rebecca FIN:EX <Rebecca.John@gov.bc.ca>  
**Cc:** Chandler, Alex FIN:EX <Alex.Chandler@gov.bc.ca>; Sangha, Karina FIN:EX <Karina.Sangha@gov.bc.ca>; Michell, Jennifer FIN:EX <Jennifer.Michell@gov.bc.ca>  
**Subject:** FW: Backgrounder needed for Minister

Need your help on a rush assignment.

As per the very bottom of this chain, our Minister is meeting on Monday with the PO and MGH & MBR regarding Woodfibre.

As you likely know, sometimes we don't get much background on what these meetings are about in advance, and so have to go digging – this is one of those.

s.12

I attach a shell Finance information note which will have attached the revised EMPR B/N when we get it.  
Can you add some TBS comments so we can get to Lorri for review and then to our MO this AM?

Perhaps your shop is already all over this and have already provided background info?

Welcome your thoughts on this.

d.

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 11, 2019 6:53 AM  
**To:** Manahan, Suzanne EMPR:EX <[Suzanne.Manahan@gov.bc.ca](mailto:Suzanne.Manahan@gov.bc.ca)>  
**Subject:** FW: Backgrounder needed for Minister

Suzanne, have you got a revised and signed off information/decision note?

Critical we get first thing this AM so we can get over to our MO.

d

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 10, 2019 4:50 PM  
**To:** Manahan, Suzanne EMPR:EX <[Suzanne.Manahan@gov.bc.ca](mailto:Suzanne.Manahan@gov.bc.ca)>  
**Cc:** Turner, Geoff J EMPR:EX <[Geoff.Turner@gov.bc.ca](mailto:Geoff.Turner@gov.bc.ca)>  
**Subject:** RE: Backgrounder needed for Minister

Oh oh.

Just read your note.

Think we should chat.

You available now?

d

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 10, 2019 3:56 PM  
**To:** Manahan, Suzanne EMPR:EX <[Suzanne.Manahan@gov.bc.ca](mailto:Suzanne.Manahan@gov.bc.ca)>  
**Cc:** Turner, Geoff J EMPR:EX <[Geoff.Turner@gov.bc.ca](mailto:Geoff.Turner@gov.bc.ca)>  
**Subject:** Re: Backgrounder needed for Minister

Ok. Will wait final signed off. D

Sent from my BlackBerry 10 smartphone on the Rogers network.

---

**From:** Manahan, Suzanne EMPR:EX  
**Sent:** Thursday, January 10, 2019 3:28 PM  
**To:** Foster, Doug FIN:EX  
**Cc:** Turner, Geoff J EMPR:EX  
**Subject:** RE: Backgrounder needed for Minister

I would think by end of day. Draft is attached, let me know if you have any question or need more details.

I will send you the clean copy once received.

Suzanne

---

**From:** Foster, Doug FIN:EX  
**Sent:** Thursday, January 10, 2019 3:19 PM  
**To:** Manahan, Suzanne EMPR:EX

**Cc:** Turner, Geoff J EMPR:EX  
**Subject:** RE: Backgrounder needed for Minister

How long before DMO approval?  
Hoping to get over to our min office for 4:30.  
Else draft will be fine for now.  
d

---

**From:** Manahan, Suzanne EMPR:EX  
**Sent:** January 10, 2019 3:18 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Cc:** Turner, Geoff J EMPR:EX <[Geoff.Turner@gov.bc.ca](mailto:Geoff.Turner@gov.bc.ca)>  
**Subject:** RE: Backgrounder needed for Minister

You bet, going through DM approval now. Did you want the unapproved draft?

---

**From:** Foster, Doug FIN:EX  
**Sent:** Thursday, January 10, 2019 3:17 PM  
**To:** Manahan, Suzanne EMPR:EX  
**Cc:** Turner, Geoff J EMPR:EX  
**Subject:** FW: Backgrounder needed for Minister

Suzanne, you got something for me?  
d

---

**From:** Turner, Geoff J EMPR:EX  
**Sent:** January 9, 2019 3:49 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Subject:** RE: Backgrounder needed for Minister

She's pulling things together now and will send along tomorrow.

Thanks  
Geoff

---

**From:** Foster, Doug FIN:EX  
**Sent:** Wednesday, January 9, 2019 3:39 PM  
**To:** Turner, Geoff J EMPR:EX  
**Subject:** Re: Backgrounder needed for Minister

s.13

Sent from my BlackBerry 10 smartphone on the Rogers network.

---

**From:** Foster, Doug FIN:EX  
**Sent:** Wednesday, January 9, 2019 3:36 PM  
**To:** Turner, Geoff J EMPR:EX  
**Subject:** Re: Backgrounder needed for Minister

Ah. That explains the JTT connection. D

Sent from my BlackBerry 10 smartphone on the Rogers network.



---

**From:** Turner, Geoff J EMPR:EX  
**Sent:** Wednesday, January 9, 2019 3:35 PM  
**To:** Foster, Doug FIN:EX  
**Subject:** RE: Backgrounder needed for Minister

I've asked Suzanne to do that.

s.22 Minister Ralston is acting s.22

---

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**To:** Turner, Geoff J EMPR:EX  
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Ok thanks.  
s.13; s.22

d

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I don't have anything on these guys – Suzanne Manahan is exec lead for that particular project and should have material ready to hand. I've passed on your request to her and asked that she send you whatever she has.

Thanks  
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**To:** Turner, Geoff J EMPR:EX  
**Subject:** FW: Backgrounder needed for Minister  
**Importance:** High

Got a rush due for tomorrow.  
Got a briefing note on status and issues?  
s.13

Can you help?  
d

---

**From:** Michell, Jennifer FIN:EX  
**Sent:** January 9, 2019 2:16 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Cc:** Justesen, Josh T FIN:EX <[Josh.Justesen@gov.bc.ca](mailto:Josh.Justesen@gov.bc.ca)>  
**Subject:** Backgrounder needed for Minister  
**Importance:** High

Hi Doug

Minister is meeting on Monday with the PO and MGH & MBR regarding Woodfibre. Apologies for the late notice, but can you please pull together an IBN/backgrounder for our Minister on this topic? Need by Friday morning, 10 am so I can obtain DM approval prior to sending over.

Thanks very much  
Jen

**Jennifer Michell**

Director, Executive Operations & Strategic Initiatives  
Office of the Deputy Minister | Ministry of Finance  
Tel. 250-356-6696 | Email: [Jennifer.Michell@gov.bc.ca](mailto:Jennifer.Michell@gov.bc.ca)

<p style="text-align: center;"><b>BACKGROUNDER</b></p> <p><b>Issue: Woodfibre LNG – Squamish First Nation Liquefied Natural Gas (LNG) Benefits Agreement</b></p> <p><b>Meeting: January 14, 2019</b></p> <p><b>Date: January 11, 2019</b></p>	<p style="text-align: center;"><b>MEETING –</b></p> <ul style="list-style-type: none"> <li>• <b>Premier</b></li> <li>• <b>Minister of Finance</b></li> <li>• <b>A/Minister of Energy, Mines and Petroleum Resources</b></li> <li>• <b>Minister of Environment and Climate Change Strategy</b></li> </ul>
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## KEY FACTS REGARDING THE ISSUE:

- A meeting is scheduled to discuss next steps on concluding a Liquefied Natural Gas (LNG) Benefits Agreement with Squamish First Nation, in relation to the Woodfibre LNG project (the Project), which is owned by Woodfibre LNG Limited (Woodfibre).
- A draft Ministry of Energy, Mines and Petroleum Resources (EMPR) briefing note is attached as additional context. This note was prepared in consultation with the Ministries of Indigenous Relations and Reconciliation; and Environment and Climate Change Strategy.

## KEY POINTS:

### *Context*

- In November 2016, Woodfibre announced that the Project had received board approval to proceed. Woodfibre has communicated its intentions to issue a Notice to Proceed (Final Investment Decision) and commence construction in early 2019.
- The Province is concluding agreements related to the proposed Project facility, the related FortisBC Eagle Mountain natural gas pipeline, and associated BC Hydro infrastructure with Squamish.  
s.12; s.17
- Under existing mandates approved by the previous government, the Province and BC Hydro have negotiated a Squamish First Nation LNG Benefits Agreement (the Agreement). Squamish Council approved the Agreement on November 21, 2018. Squamish has also signed confidential benefits agreements with Woodfibre and FortisBC.
- EMPR is now seeking approval to finalize the Agreement<sup>s.12</sup>  
s.12
- EMPR is seeking the necessary approvals to support ratification of the Agreement by the end of January 2019, at which time Squamish intends to hold a signing ceremony with the participation of the acting EMPR Minister and Woodfibre.

s.12; s.13; s.17

### *Fiscal Impacts*

- Table 1 below provides a breakdown of the fiscal impacts associated with the Squamish Agreement, based on information provided by EMPR and MIRR. Please note that these impacts are not currently included in the Fiscal Plan.

**Table 1: Squamish Agreement Fiscal Impacts**

Squamish LNG Facilities Benefits			
Benefit and Related Costs	Description	Value (millions, nominal)	Trigger
Cash	One-time benefits	\$1.00	Signing of agreement
	One-time benefits	\$0.80	First anniversary of effective date
	One-time benefits	\$0.80	Second anniversary of effective date
	One-time benefits	\$7.60	In service date of Woodfibre
	One-time benefits	\$0.50	Community recreation fund to be paid in 2019/20
	Ongoing benefits*	\$112.97	\$1.6 million** annually starting on the first, second and third anniversary of in service date of Woodfibre and then \$2.0 million** starting on the fourth anniversary (assuming payments over 40 years)
	Estimated land transfer costs	\$0.46	To be distributed in 2019/20 and 2020/21
	<b>Total Cash</b>	<b>\$123.67</b>	

\*Based on 2.1 MTPA of LNG produced and this amount will be adjusted (i.e. pro-rated) if actual production deviates by more than 10%. \*\* Adjusted for inflation which is assumed to be 2% per year. \*\*\*mandate approved by previous government.

- The Fiscal Years in which these impacts are incurred will depend on when the Agreement is signed and the Project in-service date. Assuming the Agreement is signed in 2018/19 and a Project in-service date of 2021/22, the fiscal impacts of the Agreement over the Fiscal Plan period would be approximately \$11.16M.
- In addition to cash benefits, the Agreement also includes the following land transfers:
  - Transfer of two parcels, triggered upon signing; and
  - Transfer of four other parcels over the life of the Agreement.

s.12; s.13

## KEY MESSAGES:

s.12; s.13

Program area: Karina Sangha TBS (778) 698-7261 / Doug Foster DMO (250) 387-9022

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES**

**BRIEFING NOTE FOR DECISION**

**I PREPARED FOR:** Honourable John Horgan, Premier of British Columbia

**II ISSUE:** Woodfibre LNG: Squamish First Nations Liquefied Natural Gas (LNG) Benefits Agreement

**III BACKGROUND:**

Woodfibre LNG (Woodfibre) is proposing a 2.1 million tonnes per annum facility on privately owned land in Howe Sound that will utilize electrically driven liquefied natural gas (LNG) trains.

The Project is owned and operated by Woodfibre LNG Limited, a privately held Canadian company headquartered 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.

In November 2016, Woodfibre announced the project received board approval to proceed. Woodfibre has communicated its intentions to issue a Notice to Proceed (Final Investment Decision) and commence constructions late Q1 early Q2, 2019.

Woodfibre LNG will create an estimated 650 direct and 1080 indirect and induced jobs during the construction phase and up to 100 full time jobs during full-capacity operations. Additional employment opportunities will be created in the construction period for the FortisBC Eagle Mountain pipeline that will be servicing the facility.

During construction and expected 40 years of operation, government revenues have been estimated at \$1.6 - 2.6 billion.

Woodfibre has achieved significant milestones in working towards a Notice to Proceed:

- Received environmental approvals from the BC Environmental Assessment Office, Canadian Environmental Assessment Agency, and a Squamish Nation Environmental Assessment Agreement;
- Fully permitted on major Federal permits, permit plan in place for the issuance of supporting provincial and federal permits;
- Concluded commercial agreements with BC Hydro and substantially completed its commercial agreements with FortisBC;
- Woodfibre commercial offtake agreements have the projects LNG capacity fully committed;
- Commenced decommissioning, pre-construction work onsite with completion scheduled for January 2019. The contract was awarded to Sukwi7 Contracting Ltd., a Squamish First Nation (SFN) owned company; and,
- Facilities permit from the BC Oil and Gas Commission is expected January 2019.

Woodfibre intends to use clean energy from the BC Hydro grid for compression resulting in a LNG project with the lowest global emissions profile. Emissions from Woodfibre LNG of approximately 0.5Mt/ were taken into consideration and have been confirmed as aligning under the CleanBC plan.

SFN has signed confidential benefits agreements with Woodfibre and FortisBC. While the province is not privy to these agreements, in general benefits from these agreements provide opportunities for the First Nations to directly benefit from the LNG project infrastructure impacting their territories; include legal components of accommodation for asserted rights and title, and secure support for the project and associated infrastructure.

Under existing (previous government) mandates, the Province and BC Hydro negotiated a Squamish First Nation LNG Benefits Agreement (“the Agreement”, dated November 13, 2018). Council approved the negotiated Agreement on November 21, 2018, subject to the terms and conditions.

The Province is now seeking approval to finalize the Agreement which includes cash benefits, Crown land transfers and leases.

#### IV DISCUSSION:

s.13; s.16; s.17

Squamish LNG Facilities Benefits			
Benefit and Related Costs	Description	Value (millions, nominal)	Trigger
Cash	One-time benefits	\$1.00	Signing of agreement
	One-time benefits	\$0.80	First anniversary of effective date
	One-time benefits	\$0.80	Second anniversary of effective date
	One-time benefits	\$7.60	In service date of Woodfibre
	One-time benefits	\$0.50	Community recreation fund to be paid in 2019/20
	Ongoing Benefits*	\$112.97	\$1.6 million** annually starting on the first, second and third anniversary of in service date of Woodfibre and then \$2.0 million** starting on the fourth

			anniversary (assuming payments over 40 years)
	<b>Total Cash</b>	<b>\$123.67</b>	

\*Based on 2.1 MTPA of LNG produced and this amount will be adjusted (i.e. pro-rated) if actual production deviates by more than 10%. \*\* Adjusted for inflation which is assumed to be 2% per year. \*\*\*mandate approved by previous government.

The Agreement supports BC's commitment to a strong innovative economy with Indigenous Peoples as valued and productive partners. These agreements support First Nations rights to self-determination; self-government and the opportunity to participate in the economy as described in UNDRIP.

The agreement will secure First Nations' support for a key economic driver that assists government's fiscal plan and economic development; will contribute towards ongoing reconciliation and the Province's commitment to support First Nations in economic partnerships by ensuring the First Nation communities benefit economically from LNG development in their asserted territories.

The nature of the agreement would reflect that the Province is willing to provide significant cash and land benefits to First Nations who are affected by LNG facility-related infrastructure and the marine shipping of LNG through coastal territories asserted by First Nations.

## **V OPTIONS:**

s.12; s.13; s.16

**Drafted by:**  
Suzanne Manahan, Executive Lead  
Woodfibre Implementation Team  
250-217-1567

**Approved by:**  
Suzanne Manahan✓  
Dave Nikolejsin, DM



## Justesen, Josh T FIN:EX

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 11, 2019 4:37 PM  
**To:** Sangha, Karina FIN:EX  
**Cc:** Justesen, Josh T FIN:EX  
**Subject:** FW: Woodfibre BN  
**Attachments:** 105870 Woodfibre Dec Jan 10 (002).docx; FW: Woodfibre BN and Backgrounder

Was this the same as in the attached we sent through.  
d

---

**From:** Manahan, Suzanne EMPR:EX  
**Sent:** January 11, 2019 4:23 PM  
**To:** Sangha, Karina FIN:EX <Karina.Sangha@gov.bc.ca>  
**Cc:** Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>  
**Subject:** FW: Woodfibre BN

Karina and Doug, attached is the final approved BN.

Thanks and have a good weekend.

Suzanne

---

**From:** Cochrane, Marlene EMPR:EX  
**Sent:** Friday, January 11, 2019 4:22 PM  
**To:** Manahan, Suzanne EMPR:EX  
**Subject:** Woodfibre BN

Hi Suzanne. I have sent the attached revised BN to the PO and to Melissa, at Dave's request. Thank you.

**Marlene Cochrane**  
Executive Coordinator | Deputy Minister's Office  
Ministry of Energy, Mines and Petroleum Resources  
Victoria | British Columbia  
Phone (778) 698 7254

---

**From:** Cochrane, Marlene EMPR:EX  
**Sent:** Friday, January 11, 2019 4:20 PM  
**To:** Sanderson, Melissa EMPR:EX <[Melissa.Sanderson@gov.bc.ca](mailto:Melissa.Sanderson@gov.bc.ca)>; Kennedy, Christine PREM:EX <[Christine.Kennedy@gov.bc.ca](mailto:Christine.Kennedy@gov.bc.ca)>  
**Cc:** Nikolejsin, Dave EMPR:EX <[Dave.Nikolejsin@gov.bc.ca](mailto:Dave.Nikolejsin@gov.bc.ca)>  
**Subject:** Woodfibre BN

At the request of Dave Nikolejsin, please find attached a Decision BN for the Premier regarding Woodfibre LNG. Thank you.

**Marlene Cochrane**  
Executive Coordinator | Deputy Minister's Office  
Ministry of Energy, Mines and Petroleum Resources  
Victoria | British Columbia



**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES**

**BRIEFING NOTE FOR DECISION**

**I PREPARED FOR:** Honourable John Horgan, Premier of British Columbia

**II ISSUE:** Woodfibre LNG: Squamish First Nations Liquefied Natural Gas (LNG) Benefits Agreement

**III BACKGROUND:**

Woodfibre LNG (Woodfibre) is proposing a 2.1 million tonnes per annum facility on privately owned land in Howe Sound that will utilize electrically driven liquefied natural gas (LNG) trains.

The Project is owned and operated by Woodfibre LNG Limited, a privately held Canadian company headquartered 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.

In November 2016, Woodfibre announced the project received board approval to proceed. Woodfibre has communicated its intentions to issue a Notice to Proceed (Final Investment Decision) and commence constructions late Q1 early Q2, 2019.

Woodfibre LNG will create an estimated 650 direct jobs during the construction phase and up to 100 full time jobs during full-capacity operations. Additional employment opportunities will be created in the construction period for the FortisBC Eagle Mountain pipeline that will be servicing the facility.

During construction and expected 40 years of operation, government revenues have been estimated at \$1.6 - 2.6 billion.

Woodfibre has achieved significant milestones in working towards a Notice to Proceed:

- Received environmental approvals from the BC Environmental Assessment Office, Canadian Environmental Assessment Agency, and a Squamish Nation Environmental Assessment Agreement;
- Fully permitted on major Federal permits, permit plan in place for the issuance of supporting provincial and federal permits;
- Concluded commercial agreements with BC Hydro and substantially completed its commercial agreements with FortisBC;
- Woodfibre commercial offtake agreements have the projects LNG capacity fully committed;
- Commenced decommissioning, pre-construction work onsite with completion scheduled for January 2019. The contract was awarded to Sukwi7 Contracting Ltd., a Squamish First Nation (SFN) owned company; and,

- Facilities permit from the BC Oil and Gas Commission is expected January 2019.

Woodfibre intends to use clean energy from the BC Hydro grid for compression resulting in a LNG project with the lowest global emissions profile. Emissions from Woodfibre LNG of approximately 0.5Mt/ were taken into consideration and have been confirmed as aligning under the CleanBC plan.

SFN has signed confidential benefits agreements with Woodfibre and FortisBC. While the province is not privy to these agreements, in general benefits from these agreements provide opportunities for the First Nations to directly benefit from the LNG project infrastructure impacting their territories; include legal components of accommodation for asserted rights and title, and secure support for the project and associated infrastructure.

Under existing (previous government) mandates, the Province and BC Hydro have negotiated a Squamish First Nation LNG Benefits Agreement (“the Agreement”, dated November 13, 2018). Council approved the negotiated Agreement on November 21, 2018.

The Province is now seeking approval to finalize the Agreement which includes cash benefits, Crown land transfers and leases.

#### **IV DISCUSSION:**

s.13; s.16; s.17

Squamish LNG Facilities Benefits			
Benefit and Related Costs	Description	Value (millions, nominal)	Trigger
Cash	One-time benefits	\$1.00	Signing of agreement
	One-time benefits	\$0.80	First anniversary of effective date
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	One-time benefits	\$7.60	In service date of Woodfibre
	One-time benefits	\$0.50	Community recreation fund to be paid in 2019/20
	Ongoing Benefits*	\$112.97	\$1.6 million** annually starting on the first, second and third anniversary of in service date of Woodfibre and then \$2.0 million** starting on the fourth anniversary (assuming payments over 40 years)
<b>Total Cash</b>		<b>\$123.67</b>	

\*Based on 2.1 MTPA of LNG produced and this amount will be adjusted (i.e. pro-rated) if actual production deviates by more than 10%. \*\* Adjusted for inflation which is assumed to be 2% per year. \*\*\*mandate approved by previous government.

The Agreement supports BC's commitment to a strong innovative economy with Indigenous Peoples as valued and productive partners. These agreements support First Nations rights to self-determination; self-government and the opportunity to participate in the economy as described in UNDRIP.

The agreement will secure First Nations' support for a key economic driver that assists government's fiscal plan and economic development; will contribute towards ongoing reconciliation and the Province's commitment to support First Nations in economic partnerships by ensuring the First Nation communities benefit economically from LNG development in their asserted territories.

The Province has a constitutional obligation to accommodate First Nations for project effects in their territory. The nature of the agreement would reflect that the Province is willing to provide significant cash and land benefits to First Nations who are affected by LNG facility-related infrastructure and the marine shipping of LNG through coastal territories asserted by First Nations.

## V OPTIONS:

s.12; s.13; s.16

Approved / Not Approved

---

Honourable John Horgan, Premier  
of British Columbia

**Drafted by:**  
Suzanne Manahan, Executive Lead  
Woodfibre Implementation Team  
250-217-1567

---

Date

**Approved by:**  
Suzanne Manahan✓  
Dave Nikolejsin, DM✓



## Justesen, Josh T FIN:EX

---

**From:** Justesen, Josh T FIN:EX  
**Sent:** January 11, 2019 3:18 PM  
**To:** Foster, Doug FIN:EX  
**Subject:** FW: Woodfibre BN and Backgrounder  
**Attachments:** DRAFT EMPR BN - Woodfibre Jan 2019.pdf; MCJ - PO - MBR - MGH - Woodfibre LNG - Jan 2019.pdf

Hey Doug,

As discussed – for your files

Josh

---

**From:** Justesen, Josh T FIN:EX  
**Sent:** January 11, 2019 3:18 PM  
**To:** Michell, Jennifer FIN:EX <Jennifer.Michell@gov.bc.ca>  
**Subject:** Woodfibre BN and Backgrounder

Hi Jen,

As requested and discussed.

Best,  
**Josh Justesen**  
Administrative Coordinator  
Deputy Minister's Office | Ministry of Finance  
Phone: (250) 387-1660 | [Josh.Justesen@gov.bc.ca](mailto:Josh.Justesen@gov.bc.ca)



**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES**

**BRIEFING NOTE FOR DECISION**

**I PREPARED FOR:** Honourable John Horgan, Premier of British Columbia

**II ISSUE:** Woodfibre LNG: Squamish First Nations Liquefied Natural Gas (LNG) Benefits Agreement

**III BACKGROUND:**

Woodfibre LNG (Woodfibre) is proposing a 2.1 million tonnes per annum facility on privately owned land in Howe Sound that will utilize electrically driven liquefied natural gas (LNG) trains.

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In November 2016, Woodfibre announced the project received board approval to proceed. Woodfibre has communicated its intentions to issue a Notice to Proceed (Final Investment Decision) and commence constructions late Q1 early Q2, 2019.

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During construction and expected 40 years of operation, government revenues have been estimated at \$1.6 - 2.6 billion.

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SFN has signed confidential benefits agreements with Woodfibre and FortisBC. While the province is not privy to these agreements, in general benefits from these agreements provide opportunities for the First Nations to directly benefit from the LNG project infrastructure impacting their territories; include legal components of accommodation for asserted rights and title, and secure support for the project and associated infrastructure.

Under existing (previous government) mandates, the Province and BC Hydro negotiated a Squamish First Nation LNG Benefits Agreement (“the Agreement”, dated November 13, 2018). Council approved the negotiated Agreement on November 21, 2018, subject to the terms and conditions.

The Province is now seeking approval to finalize the Agreement which includes cash benefits, Crown land transfers and leases.

#### IV DISCUSSION:

s.13; s.16; s.17

Squamish LNG Facilities Benefits			
Benefit and Related Costs	Description	Value (millions, nominal)	Trigger
Cash	One-time benefits	\$1.00	Signing of agreement
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The Agreement supports BC's commitment to a strong innovative economy with Indigenous Peoples as valued and productive partners. These agreements support First Nations rights to self-determination; self-government and the opportunity to participate in the economy as described in UNDRIP.

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The nature of the agreement would reflect that the Province is willing to provide significant cash and land benefits to First Nations who are affected by LNG facility-related infrastructure and the marine shipping of LNG through coastal territories asserted by First Nations.

## **V OPTIONS:**

s.12; s.13; s.16

**Drafted by:**  
Suzanne Manahan, Executive Lead  
Woodfibre Implementation Team  
250-217-1567

**Approved by:**  
Suzanne Manahan✓  
Dave Nikolejsin, DM

<p style="text-align: center;"><b>BACKGROUNDER</b></p> <p><b>Issue: Woodfibre LNG – Squamish First Nation Liquefied Natural Gas (LNG) Benefits Agreement</b></p> <p><b>Meeting: January 14, 2019</b></p> <p><b>Date: January 11, 2019</b></p>	<p style="text-align: center;"><b>MEETING –</b></p> <ul style="list-style-type: none"> <li>• <b>Premier</b></li> <li>• <b>Minister of Finance</b></li> <li>• <b>A/Minister of Energy, Mines and Petroleum Resources</b></li> <li>• <b>Minister of Environment and Climate Change Strategy</b></li> </ul>
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## KEY FACTS REGARDING THE ISSUE:

- A meeting is scheduled to discuss next steps on concluding a Liquefied Natural Gas (LNG) Benefits Agreement with Squamish First Nation, in relation to the Woodfibre LNG project (the Project), which is owned by Woodfibre LNG Limited (Woodfibre).
- A draft Ministry of Energy, Mines and Petroleum Resources (EMPR) briefing note is attached as additional context. This note was prepared in consultation with the Ministries of Indigenous Relations and Reconciliation; and Environment and Climate Change Strategy.

## KEY POINTS:

### *Context*

- In November 2016, Woodfibre announced that the Project had received board approval to proceed. Woodfibre has communicated its intentions to issue a Notice to Proceed (Final Investment Decision) and commence construction in early 2019.
- The Province is concluding agreements related to the proposed Project facility, the related FortisBC Eagle Mountain natural gas pipeline, and associated BC Hydro infrastructure with Squamish.  
s.12; s.17
- Under existing mandates approved by the previous government, the Province and BC Hydro have negotiated a Squamish First Nation LNG Benefits Agreement (the Agreement). Squamish Council approved the Agreement on November 21, 2018. Squamish has also signed confidential benefits agreements with Woodfibre and FortisBC.
- EMPR is now seeking approval to finalize the Agreement<sup>s.12</sup>  
s.12
- EMPR is seeking the necessary approvals to support ratification of the Agreement by the end of January 2019, at which time Squamish intends to hold a signing ceremony with the participation of the acting EMPR Minister and Woodfibre.  
s.12; s.13; s.17

### *Fiscal Impacts*

- Table 1 below provides a breakdown of the fiscal impacts associated with the Squamish Agreement, based on information provided by EMPR and MIRR. Please note that these impacts are not currently included in the Fiscal Plan.

**Table 1: Squamish Agreement Fiscal Impacts**

Squamish LNG Facilities Benefits			
Benefit and Related Costs	Description	Value (millions, nominal)	Trigger
Cash	One-time benefits	\$1.00	Signing of agreement
	One-time benefits	\$0.80	First anniversary of effective date
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	One-time benefits	\$0.50	Community recreation fund to be paid in 2019/20
	Ongoing benefits*	\$112.97	\$1.6 million** annually starting on the first, second and third anniversary of in service date of Woodfibre and then \$2.0 million** starting on the fourth anniversary (assuming payments over 40 years)
	Estimated land transfer costs	\$0.46	To be distributed in 2019/20 and 2020/21
	<b>Total Cash</b>	<b>\$123.67</b>	

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- The Fiscal Years in which these impacts are incurred will depend on when the Agreement is signed and the Project in-service date. Assuming the Agreement is signed in 2018/19 and a Project in-service date of 2021/22, the fiscal impacts of the Agreement over the Fiscal Plan period would be approximately \$11.16M.
- In addition to cash benefits, the Agreement also includes the following land transfers:
  - Transfer of two parcels, triggered upon signing; and
  - Transfer of four other parcels over the life of the Agreement.

s.12; s.13

## KEY MESSAGES:

s.12; s.13

Program area: Karina Sangha TBS (778) 698-7261 / Doug Foster DMO (250) 387-9022

## Justesen, Josh T FIN:EX

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 11, 2019 5:46 PM  
**To:** Wanamaker, Lori FIN:EX  
**Cc:** Michell, Jennifer FIN:EX  
**Subject:** FW: Woodfibre BN  
**Attachments:** 105870 Woodfibre Dec Jan 10 (002).docx

The EMPR attached finally got approved with a few minor changes.

Below is a summary – not really material but just to respond to a Don W question on if we were legally required to accommodate.

d

---

**From:** Sangha, Karina FIN:EX  
**Sent:** January 11, 2019 4:44 PM  
**To:** Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>  
**Cc:** Justesen, Josh T FIN:EX <Josh.Justesen@gov.bc.ca>  
**Subject:** RE: Woodfibre BN

No, they are minor differences, with edits from Dave N. Suzanne was unable to tell me if we would get a final note today, so I marked the note we sent through as draft to make sure our Minister got something in time.

In reviewing the two side-by-side, I note that the only substantive change was the addition of the following paragraph:

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Cheers,  
Karina

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 11, 2019 4:37 PM  
**To:** Sangha, Karina FIN:EX <Karina.Sangha@gov.bc.ca>  
**Cc:** Justesen, Josh T FIN:EX <Josh.Justesen@gov.bc.ca>  
**Subject:** FW: Woodfibre BN

Was this the same as in the attached we sent through.  
d

---

**From:** Manahan, Suzanne EMPR:EX  
**Sent:** January 11, 2019 4:23 PM  
**To:** Sangha, Karina FIN:EX <Karina.Sangha@gov.bc.ca>  
**Cc:** Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>  
**Subject:** FW: Woodfibre BN

Karina and Doug, attached is the final approved BN.

Thanks and have a good weekend.

Suzanne

---

**From:** Cochrane, Marlene EMPR:EX  
**Sent:** Friday, January 11, 2019 4:22 PM  
**To:** Manahan, Suzanne EMPR:EX  
**Subject:** Woodfibre BN

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**Marlene Cochrane**  
Executive Coordinator | Deputy Minister's Office  
Ministry of Energy, Mines and Petroleum Resources  
Victoria | British Columbia  
Phone (778) 698 7254

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**Cc:** Nikolejsin, Dave EMPR:EX <[Dave.Nikolejsin@gov.bc.ca](mailto:Dave.Nikolejsin@gov.bc.ca)>  
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**Marlene Cochrane**  
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Victoria | British Columbia  
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## **MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES**

### **BRIEFING NOTE FOR DECISION**

**I PREPARED FOR:** Honourable John Horgan, Premier of British Columbia

**II ISSUE:** Woodfibre LNG: Squamish First Nations Liquefied Natural Gas (LNG) Benefits Agreement

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s.13; s.16; s.17

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## V OPTIONS:

s.12; s.13; s.16

Approved / Not Approved

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Honourable John Horgan, Premier  
of British Columbia

**Drafted by:**  
Suzanne Manahan, Executive Lead  
Woodfibre Implementation Team  
250-217-1567

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Date

**Approved by:**  
Suzanne Manahan✓  
Dave Nikolejsin, DM✓



## Justesen, Josh T FIN:EX

---

**From:** Michell, Jennifer FIN:EX  
**Sent:** January 14, 2019 8:53 AM  
**To:** Foster, Doug FIN:EX; Wanamaker, Lori FIN:EX  
**Subject:** RE: Woodfibre BN

Thanks Doug. I've provided the updated note to the MO with summary of change as so provided. Lori, this has been uploaded to your iPad.

### Jennifer Michell

Director, Executive Operations & Strategic Initiatives  
Office of the Deputy Minister | Ministry of Finance

---

**From:** Foster, Doug FIN:EX  
**Sent:** January 11, 2019 5:46 PM  
**To:** Wanamaker, Lori FIN:EX <Lori.Wanamaker@gov.bc.ca>  
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**To:** Manahan, Suzanne EMPR:EX  
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**Marlene Cochrane**  
Executive Coordinator | Deputy Minister's Office  
Ministry of Energy, Mines and Petroleum Resources  
Victoria | British Columbia  
Phone (778) 698 7254

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**From:** Cochrane, Marlene EMPR:EX  
**Sent:** Friday, January 11, 2019 4:20 PM  
**To:** Sanderson, Melissa EMPR:EX <[Melissa.Sanderson@gov.bc.ca](mailto:Melissa.Sanderson@gov.bc.ca)>; Kennedy, Christine PREM:EX <[Christine.Kennedy@gov.bc.ca](mailto:Christine.Kennedy@gov.bc.ca)>  
**Cc:** Nikolejsin, Dave EMPR:EX <[Dave.Nikolejsin@gov.bc.ca](mailto:Dave.Nikolejsin@gov.bc.ca)>  
**Subject:** Woodfibre BN

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**Marlene Cochrane**  
Executive Coordinator | Deputy Minister's Office  
Ministry of Energy, Mines and Petroleum Resources  
Victoria | British Columbia  
Phone (778) 698 7254

## Justesen, Josh T FIN:EX

---

**From:** Foster, Doug FIN:EX  
**Sent:** March 26, 2019 5:51 AM  
**To:** Turner, Geoff J EMPR:EX; Flanagan, Paul FIN:EX  
**Cc:** Youngs, Kirsten R GCPE:EX; Robb, Katie GCPE:EX; Korinowsky, Alexandra GCPE:EX; Purnell, Richard FIN:EX  
**Subject:** RE: For input: FIN Media Request: Legislation: LNG

I m fine with this approach. D.

---

**From:** Turner, Geoff J EMPR:EX  
**Sent:** March 25, 2019 9:21 PM  
**To:** Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>; Flanagan, Paul FIN:EX <Paul.Flanagan@gov.bc.ca>  
**Cc:** Youngs, Kirsten R GCPE:EX <Kirsten.Youngs@gov.bc.ca>; Robb, Katie GCPE:EX <Katie.Robb@gov.bc.ca>; Korinowsky, Alexandra GCPE:EX <Alexandra.Korinowsky@gov.bc.ca>; Purnell, Richard FIN:EX <Richard.Purnell@gov.bc.ca>  
**Subject:** RE: For input: FIN Media Request: Legislation: LNG

s.13

Thanks  
Geoff

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**From:** Foster, Doug FIN:EX  
**Sent:** Monday, March 25, 2019 6:50 PM  
**To:** Flanagan, Paul FIN:EX  
**Cc:** Youngs, Kirsten R GCPE:EX; Robb, Katie GCPE:EX; Korinowsky, Alexandra GCPE:EX; Purnell, Richard FIN:EX; Turner, Geoff J EMPR:EX  
**Subject:** RE: For input: FIN Media Request: Legislation: LNG

s.13



d.

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**From:** Flanagan, Paul FIN:EX  
**Sent:** March 25, 2019 6:41 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Cc:** Youngs, Kirsten R GCPE:EX <[Kirsten.Youngs@gov.bc.ca](mailto:Kirsten.Youngs@gov.bc.ca)>; Robb, Katie GCPE:EX <[Katie.Robb@gov.bc.ca](mailto:Katie.Robb@gov.bc.ca)>; Korinowsky, Alexandra GCPE:EX <[Alexandra.Korinowsky@gov.bc.ca](mailto:Alexandra.Korinowsky@gov.bc.ca)>; Purnell, Richard FIN:EX <[Richard.Purnell@gov.bc.ca](mailto:Richard.Purnell@gov.bc.ca)>; Turner, Geoff J EMPR:EX <[Geoff.Turner@gov.bc.ca](mailto:Geoff.Turner@gov.bc.ca)>  
**Subject:** Re: For input: FIN Media Request: Legislation: LNG

s.13

Sent from my iPhone

On Mar 25, 2019, at 6:21 PM, Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)> wrote:

Q.

Why does the LNG Canada project warrant a 3% tax credit on natural gas, when projects like Woodfibre don't? What's the rationale for a discount on natural gas when it's so cheap right now?

s.13

My colleagues may have more.

d

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**From:** Youngs, Kirsten R GCPE:EX  
**Sent:** March 25, 2019 4:54 PM  
**To:** Foster, Doug FIN:EX <[Doug.Foster@gov.bc.ca](mailto:Doug.Foster@gov.bc.ca)>  
**Cc:** Robb, Katie GCPE:EX <[Katie.Robb@gov.bc.ca](mailto:Katie.Robb@gov.bc.ca)>; Korinowsky, Alexandra GCPE:EX <[Alexandra.Korinowsky@gov.bc.ca](mailto:Alexandra.Korinowsky@gov.bc.ca)>  
**Subject:** For input: FIN Media Request: Legislation: LNG

Likely a Q for Enviro input, DF? No rush on this. I understand Nelson asked this Q in the tech briefing but wasn't clear on the answer.

**Reporter**

Nelson Bennett, Reporter  
Business in Vancouver  
[nbennett@biv.com](mailto:nbennett@biv.com)  
604-608-5157

**Deadline** Tuesday, March 26, 2019 12:00 PM

**Request**

Why does the LNG Canada project warrant a 3% tax credit on natural gas, when projects like Woodfibre don't? What's the rationale for a discount on natural gas when it's so cheap right now?

**Background**

**Recommendation**

## Justesen, Josh T FIN:EX

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**From:** Foster, Doug FIN:EX  
**Sent:** March 26, 2019 10:14 AM  
**To:** Turner, Geoff J EMPR:EX; Youngs, Kirsten R GCPE:EX; Flanagan, Paul FIN:EX  
**Cc:** Robb, Katie GCPE:EX; Wanamaker, Lori FIN:EX  
**Subject:** RE: For Review: FIN Media Request: Legislation: LNG

Im ok with this.  
Consistent with Lori's discussion with Dave N as well.  
Point is that we will look at their project and have discussions.  
d

---

**From:** Turner, Geoff J EMPR:EX  
**Sent:** March 26, 2019 10:12 AM  
**To:** Youngs, Kirsten R GCPE:EX <Kirsten.Youngs@gov.bc.ca>; Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>; Flanagan, Paul FIN:EX <Paul.Flanagan@gov.bc.ca>  
**Cc:** Robb, Katie GCPE:EX <Katie.Robb@gov.bc.ca>  
**Subject:** RE: For Review: FIN Media Request: Legislation: LNG

Good with me.  
Geoff

---

**From:** Youngs, Kirsten R GCPE:EX  
**Sent:** Tuesday, March 26, 2019 10:12 AM  
**To:** Foster, Doug FIN:EX; Flanagan, Paul FIN:EX; Turner, Geoff J EMPR:EX  
**Cc:** Robb, Katie GCPE:EX  
**Subject:** For Review: FIN Media Request: Legislation: LNG

MO feels more comfortable with the bullets below – still ok by you fellas?

### Recommendation

- The framework was designed to enable large investments that meet our four conditions and bring significant benefits to the province.
- LNG Canada is a significant investment that meets those conditions.
- We look forward to discussions with Woodfibre on our framework and conditions.

---

**From:** Youngs, Kirsten R GCPE:EX  
**Sent:** March 26, 2019 9:33 AM  
**To:** Lawson, Liam FIN:EX <[Liam.Lawson@gov.bc.ca](mailto:Liam.Lawson@gov.bc.ca)>; Spilker, Robyn FIN:EX <[Robyn.Spilker@gov.bc.ca](mailto:Robyn.Spilker@gov.bc.ca)>  
**Cc:** Robb, Katie GCPE:EX <[Katie.Robb@gov.bc.ca](mailto:Katie.Robb@gov.bc.ca)>; Henry, Molly FIN:EX <[Molly.Henry@gov.bc.ca](mailto:Molly.Henry@gov.bc.ca)>  
**Subject:** For Review: FIN Media Request: Legislation: LNG

For your review – Doug/EMPR input included.

### Reporter

Nelson Bennett, Reporter  
Business in Vancouver  
[nbennett@biv.com](mailto:nbennett@biv.com)  
604-608-5157

**Deadline** Tuesday, March 26, 2019 12:00 PM

**Request**

Why does the LNG Canada project warrant a 3% tax credit on natural gas, when projects like Woodfibre don't? What's the rationale for a discount on natural gas when it's so cheap right now?

**Recommendation**

s.13

## **Justesen, Josh T FIN:EX**

---

**From:** Spilker, Robyn FIN:EX  
**Sent:** May 10, 2019 9:12 AM  
**To:** Foster, Doug FIN:EX  
**Subject:** RE: Woodfibre meeting

Thanks Doug, we've declined the meeting request.

---

**From:** Foster, Doug FIN:EX  
**Sent:** May 10, 2019 8:49 AM  
**To:** Spilker, Robyn FIN:EX <Robyn.Spilker@gov.bc.ca>  
**Cc:** Michell, Jennifer FIN:EX <Jennifer.Michell@gov.bc.ca>; Wanamaker, Lori FIN:EX <Lori.Wanamaker@gov.bc.ca>; Manahan, Suzanne EMPR:EX <Suzanne.Manahan@gov.bc.ca>; Turner, Geoff J EMPR:EX <Geoff.Turner@gov.bc.ca>; Purnell, Richard FIN:EX <Richard.Purnell@gov.bc.ca>  
**Subject:** FW: Woodfibre meeting

I understand that Woodfibre LNG (WFLNG) wants to come in a see the Minister of Finance.  
Here are some facts and a recommendation.

Status Facts:

s.13

- The four measures provided to LNGC include 1) electricity services; 2) access to the natural gas income tax credit; 3) PST exemption on construction (including a performance payment agreement); and 4) access to CleanBC industrial incentives.

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## Treasury Board Submission

### Request for Decision

**Ministers:** Honourable Michelle Mungall and Honourable Scott Fraser  
**Ministries:** Energy, Mines and Petroleum Resources (EMPR) and  
Indigenous Relations and Reconciliation (IRR)  
**Date:** 28/03/2019 Ministry Document #: 23-18/19

**Title:** s.12; s.17

#### Issue:

Woodfibre LNG (Woodfibre) is a proposed Liquefied Natural Gas (LNG) project in Howe Sound expected to deliver 2.1 Megatonnes/year of LNG, equating to \$1.6 - 2.6 billion in revenue to the Provincial Government during the expected 40 years of operation. Eagle Mountain - Woodfibre Gas Pipeline Project (Eagle Mountain) is a natural gas pipeline proposed by Fortis which will transport natural gas to Woodfibre.

s.12; s.17

Page 02 of 34 to/à Page 03 of 34

Withheld pursuant to/removed as

s.12; s.17





s.12; s.17

**Background / Context:**

Woodfibre is a 2.1 million tonnes per annum LNG Facility proposed in Howe Sound near Squamish. The site of the facility is previously titled, privately owned fee simple land which was previously used for industrial use.

Woodfibre received a 40-year export licence from the National Energy Board in June 2017, received a Provincial Environmental Assessment Certificate in October 2015, and a Federal Environmental Assessment Statement of Decision was issued in March 2016 and re-issued in March 2018.

Woodfibre is substantially permitted and is expecting to receive an LNG Facility Permit from the BC Oil and Gas Commission Q1, 2019 and to begin construction in 2019. Woodfibre has completed electricity supply agreements with BC Hydro and substantially completed its services agreements with Eagle Mountain's proponent (Fortis).



Eagle Mountain is a proposed 47km natural gas pipeline which will run between Coquitlam and the Woodfibre site. Eagle Mountain received a Provincial Environmental Assessment Certificate in August 2016, and a permitting plan has been developed by Fortis, provincial regulators and Woodfibre LNG to align with a 2023 first shipment date.

Woodfibre LNG will create an estimated 650 direct and 1,080 indirect and induced jobs during the construction phase and up to 100 full time jobs during full-capacity operations. Additional employment opportunities will be created in the construction period for the Eagle Mountain pipeline that will be servicing the facility.

s.12; s.17

Page 06 of 34 to/à Page 11 of 34

Withheld pursuant to/removed as

s.12; s.17

Page 12 of 34 to/à Page 13 of 34

Withheld pursuant to/removed as

s.12; s.14; s.17

Page 14 of 34 to/à Page 15 of 34

Withheld pursuant to/removed as

s.12; s.17



s.12; s.17

### Appendices:

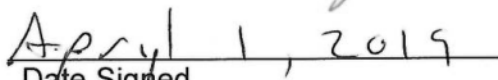
Appendix 1 – Map of the Project Location

s.12; s.17

Appendix 3 – Environment Assessment Certificate Conditions: Marine Mammals and Marine Transportation

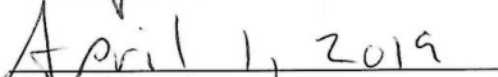
Contact: Dave Nikolejsin, Deputy Minister  
(250) 952-0504

  
Honourable Michelle Mungall

  
Date Signed

Contact: Doug Caul, Deputy Minister  
(778) 974-2080

  
Honourable Scott Fraser

  
Date Signed



Page 18 of 34

Withheld pursuant to/removed as

s.12; s.17



Page 19 of 34

Withheld pursuant to/removed as

s.17; s.12



### **Appendix 3**

## **Environment Assessment Certificate Conditions: Marine Mammals and Marine Transportation**

### **Condition 9: Marine Mammals**

The Holder must develop, in consultation with DFO, OGC and Aboriginal Groups, a marine mammal management and monitoring plan for Construction that must at a minimum:

- Set out the means by which the mitigation measures related to Construction in the Application Table 22-1 under the heading "Marine Mammals" will be implemented;
- Identify the geographic areas where, and periods of time when, Construction could cause injury to marine mammals;
- Identify the geographic areas where, and periods of time when, Construction could cause behavioural change to marine mammals;
- Identify the time periods when elevated marine mammal occupancy is anticipated within the areas of potential injury to marine mammals or areas of potential behavioural change;
- Specify the role of a Qualified Professional in observing and reporting marine mammals in the areas of potential injury to marine mammals during Construction;
- Specify the Construction activities (e.g. blasting, pile driving) which must stop or not start if a marine mammal is sighted in the areas of potential injury to marine mammals, and not re-start until the marine mammal has moved out of the relevant area, to the satisfaction of the Qualified Professional; and
- Specify mitigation measures for Construction underwater noise that will prevent or reduce behavioural change or injury to marine mammals.

A Qualified Professional must develop the plan and supervise the implementation of the plan. The Holder must provide the plan to EAO no less than 60 days prior to the Holder's planned date to commence Construction in the marine environment. The Holder must provide the plan to EAO, DFO, OGC and Aboriginal Groups no less than



30 days prior to the Holder's planned date to commence Construction in the marine environment. The Holder must implement the plan to the satisfaction of EAO.

#### **Condition 16: Marine Transportation – Construction**

The Holder must develop, in consultation with TC, DFO, CCG, Pacific Pilotage Authority, the DOS, BC Ferries, Squamish Terminals and Aboriginal Groups a marine transport management and monitoring plan for Construction. The plan must identify at a minimum:

- The means by which the marine transportation mitigation measures related to Construction in the Application Table 22-1 under the heading "marine transport" (section 7.3, M7.3-1 to M7.3-17) will be implemented;
- Construction activities that have the potential to interfere with marine navigation;
- Existing and traditional navigational routes, fishing areas, habitat areas, harvesting areas, commercial shipping use, recreational and tourism use, Aboriginal Groups' use, and any associated timing windows;
- Actions to inform affected stakeholders and Aboriginal Groups of potential interference with marine navigation as a result of Construction activities;
- Methods to coordinate activities with other marine users, including FortisBC;
- Methods to minimize displacement of marine-based recreational activities;
- Mitigation measures to reduce disruption of marine navigation in Howe Sound as a result of Construction activities; and
- Methods to monitor the effects of the Holder's shipping activities on marine users during Construction.

The Holder must provide the plan to EAO, TC, CCG, Pacific Pilotage Authority, DFO, the DOS, BC Ferries, Squamish Terminals and Aboriginal Groups no less than 30 days prior to the Holder's planned date to commence Construction. The Holder must implement the plan to the satisfaction of EAO.



### **Condition 17: Marine Transportation – Operations**

The Holder must develop, in consultation with TC, CCG, Pacific Pilotage Authority, DFO and Aboriginal Groups, a marine transport management and monitoring plan for Operations. The plan must identify at a minimum:

- The means by which the marine transportation mitigation measures related to Operations in the Application Table 22-1 under the heading “marine transportation & use” (section 7.3, M5.19-3, M6.3-1, M7.3-1 – M7.3-17) will be implemented;
- Operations activities that have the potential to interfere with marine navigation;
- Existing and traditional navigational routes, fishing areas, habitat areas, harvesting areas, commercial shipping use, recreational and tourism use, Aboriginal Groups’ use, and any associated timing windows;
- Methods to inform affected stakeholders and Aboriginal Groups of potential interference with marine navigation as a result of Operations activities;
- Mitigation measures to reduce disruption of marine navigation in Howe Sound as a result of Operations activities; and
- Practices to reduce disruption and collision risk with marine mammals along the shipping route in Howe Sound;
- Methods to inform the public, commercial marine user groups, and Aboriginal Groups about the results of the Technical Review Process of Marine Terminal Systems and Transshipment Sites (TERMPOL) process respecting the Project; and,
- Methods to monitor the effects of the Holder’s shipping activities during Operations.

The Holder must provide the plan to EAO no less than 60 days prior to the Holder’s planned date to commence Operations. The Holder must also provide the final plan to TC, CCG, Pacific Pilotage Authority, DFO, the DOS, BC Ferries, Squamish Terminals and Aboriginal Groups. The Holder must implement the plan to the satisfaction of EAO.

## TREASURY BOARD MINUTE

REQUEST No.: 23-18/19

T.B. MEETING DATE: APRIL 10, 2019

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**TITLE:** s.12; s.17

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**ISSUE SUMMARY:**

s.12; s.17

## **BACKGROUND:**

### *Ministry proposal*

- Located in Howe Sound near Squamish, the Project is licenced to export approximately 2.1 million tonnes of LNG per year over a 40-year period. It will be serviced by the FortisBC Eagle Mountain pipeline and will be powered using electricity from BC Hydro. The Project is expected to come into service in 2022/23.
- The Province concluded an LNG Benefits Agreement with SFN in March 2019, with total cash benefits of \$123.67M, 339.6 hectares in Crown land transfers valued at \$10.1M, and 30.8 hectares in Crown land leases.

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Withheld pursuant to/removed as

s.12; s.17

## TREASURY BOARD STAFF BRIEFING NOTE

REQUEST No.: 23-18/19

T.B. MEETING DATE: APRIL 10, 2019

---

**TITLE:** s.12; s.17

---

**ISSUE SUMMARY:**

s.12; s.17



### CONTEXT:

- Located in Howe Sound near Squamish, the Project is licenced to export approximately 2.1 million tonnes of LNG per year over a 40-year period. It will be serviced by the FortisBC Eagle Mountain pipeline and will be powered using electricity from BC Hydro.
- The Project is expected to come into service in 2022/23 and will contribute approximately \$1.6-2.6B in direct revenues to the Province (i.e. corporate and personal income taxes, carbon tax, and operation payments *in lieu* of PST) over 40 years.
- The Project and the associated natural gas pipeline will impact four First Nation communities: SFN, TWN, MIB, and KFN.

s.12; s.17

- s.12 the Province concluded an LNG Benefits Agreement with SFN in March 2019, with total cash benefits of \$123.67M, 339.6 hectares in Crown land transfers valued at \$10.1M, and 30.8 hectares in Crown land leases.

s.12; s.17

Page 31 of 34 to/à Page 33 of 34

Withheld pursuant to/removed as

s.12; s.17

TBS Contact: Karina Sangha

Date: March 27, 2019

**Draft sub. 1<sup>st</sup> received:** Mar 22, 2019    **Final draft received:** Mar 28, 2019    **Signed sub. received:** Apr 2, 2019

**TB briefing note provided to the Ministry:**

**Draft sent:** Apr 1, 2019

**Final sent:** Apr 2, 2019

**Min. DM fact sign-off:** Apr 4, 2019

## **Differences between old and new natural gas tax credit**

The government's new LNG framework includes measures to repeal the *Liquefied Natural Gas Income Tax Act* (LNGITA), which is cumbersome to administer and has led to uncertainties hampering investment in BC. The new LNG framework also implements the natural gas tax credit under the *Income Tax Act*.

### **Overview of natural gas tax credit**

The natural gas tax credit is available to qualifying corporations that own natural gas as it enters the LNG facility and is calculated at 3 per cent of the cost of gas. The rate will be 0.5 per cent in the legislation and the remaining 2.5 per cent will be prescribed in the regulations.

The cost of natural gas will be determined by a formula outlined in the amendments to the *Income Tax Act*. The cost of natural gas is a key component in calculating the natural gas tax credit. The cost of natural gas rules ensure that the price of gas is calculated on a monthly basis, since the price of natural gas can fluctuate month to month.

Qualifying corporations are generally those carrying on business in BC for oil and gas extraction or the liquefaction of natural gas.

The tax credit can be used to reduce the effective BC corporate income tax rate from 12 per cent to 9 per cent and any unused amount of the tax credit may be carried forward.

### **Differences between the old and new credit**

The natural gas tax credit is intended to be consistent with the previous government's design of the credit. However, there are five key differences between the natural gas credit under the LNGITA and the new natural gas tax credit.

Three of the differences stem from the fact that the LNGITA will be repealed and as a result, definitions or concepts outlined in LNGITA will need to be defined or clarified for purposes of the *Income Tax Act*:

#### **1. Cost of gas rules –**

- a. **Simplified calculation** – The natural gas tax credit is worth up to 3 per cent of an LNG facility's cost of natural gas. In calculating the cost of natural gas, the old credit had different rules depending on whether the seller of the gas was arm's length or non-arm's length from the taxpayer. The new credit makes no such distinction and relies on the non-arm's length rule for all cost of gas amounts. This simplifies the credit and reduces the compliance burden for taxpayers.
- b. **Differential amount** – The calculation of the cost of natural gas is based on the price for natural gas at a particular location, called the "reference point". The old credit was designed to apply to multiple pipelines for various LNG facilities. Therefore, the old credit had a "differential amount"

that represented estimated transportation costs from the reference point to the various inlets on a pipeline. The new credit is currently in contemplation of one LNG facility; therefore, a differential amount is no longer required. If additional LNG facilities are built, the *Income Tax Act* will allow the government to prescribe a different reference point for each facility.

2. **Major LNG facility** - The old credit was available to all LNG facilities. The new credit is limited to those LNG facilities that meet a minimum production capacity threshold (to be prescribed by regulations).<sup>s.13</sup>

s.13

3. **Definition of qualifying corporation** - The old credit defined qualifying corporations as a taxpayer under LNGITA (which means a person who engages in or has income derived from liquefaction activities). Since LNGITA is being repealed, the new credit is restricted to qualifying corporations that are generally in the business of oil and gas extraction or the liquefaction of natural gas.

The other two differences are as follows:

4. **Administration** – The old credit assumed that the federal government would administer the credit.<sup>s.13</sup>

s.13; s.16

s.13; s.16

BC will administer the new credit and hence many administrative provisions are now included.

5. **Rate change** – The old credit contemplated a credit cap that would effectively reduce the corporate income tax rate from 11 per cent to 8 per cent. The new credit still effectively reduces the corporate income tax rate by 3 percentage points, but the new numbers are 12 per cent to 9 per cent to reflect the increase in the general corporate income tax rate from 11 per cent to 12 per cent, effective January 1, 2018.

## **Background information on differences between old and new credit**

See below for further background information on the high-level discussion above on the differences between the old and new natural gas tax credit.

### **1. Cost of gas rules**

#### ***Simplified Calculation***

In calculating the cost of natural gas, the old credit had different rules depending on whether the seller of the gas was arm's length or non-arm's length from the LNG facility. The new credit makes no such distinction and relies on the non-arm's length rule for all cost of gas amounts. This simplifies the credit and reduces the compliance burden for taxpayers.

- When the LNGITA and original cost of gas rules were developed, there were many companies making "plays" in LNG. As a result, the cost of gas rules needed to be applicable to all scenarios:
  - Arm's-length transactions could use the actual cost of gas as negotiated by the parties,
  - For non-arm's length transactions (where both parties are in the same corporate group), it is presumed that the price paid may not reflect the fair market value of the price, as the corporate group may choose a price that helps one corporation lower their tax bill (this is known as transfer pricing). As a result, the cost of gas rules would deem the cost to be based on a reference price (also known as "notional price or cost").
- With the new natural gas tax credit (NGTC), the cost of gas for all taxpayers is calculated using the non-arm's length, deemed reference price approach to minimize compliance burdens on the taxpayer. The transfer pricing rules and making determinations of arm's length and non-arm's length are complex and may be subject to costly audits.

s.13

- Furthermore, this approach will reduce the cost of administering the tax credit.
  - Without the deemed price, Income Tax Branch would be required to audit taxpayers to determine whether the reported cost of gas was accurate.

### ***Differential amount removed***

The old credit contemplated natural gas coming in from several different inlets into different pipelines in contemplation of various LNG facilities with dedicated pipelines.

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- The "differential amount" represented the estimated transportation costs between a reference point where the price of gas is calculated, and the inlet of the feedstock pipeline. Therefore, the differential amount is only applicable to those LNG facilities that are not connected to the reference point.

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- If another FID is announced by another company, the legislation provides the regulatory authority to prescribe a specific reference point for that company if they bring in their gas through a different feedstock pipeline.
- This approach simplifies the cost of gas rules.

## **2. Major LNG facility**

The old credit applied to all LNG facilities. The new credit is limited to those LNG facilities that meet a minimum production capacity threshold (to be prescribed by regulations)<sup>s.13</sup>

s.13

- Under the old model, all LNG producers would be subject to the LNG income tax and also eligible for the natural gas tax credit.

s.13

## **3. Definition of qualifying corporation**

The old credit defined qualifying corporations as taxpayers under LNGITA (which means a person who engages in or has income derived from liquefaction activities). Since LNGITA is being repealed, the new credit is restricted to qualifying corporations that are generally in the business of oil and gas extraction or the liquefaction of natural gas.

## **4. Administration**

The old credit assumed that the federal government would administer the credit.<sup>s.13</sup>  
s.13; s.16

s.13; s.16

BC will administer the new credit; as a result, many administrative provisions are now included:

- Sections 128 – 128.3 of the LNGITA amended sections of the *Income Tax Act* to allow the federal government to administer the natural gas tax credit under

LNGITA. It included amendments to ensure that the tax credit would be the last credit deducted against a corporation's tax payable and amendments to ensure federal provisions dealing with assessments, false statements and omissions and collection provisions would reference the old tax credit.

- These administrative sections, reflecting the Province's administration of the credit, are now included in proposed sections 182-212 of the *Income Tax Act*.

## **5. Rate change**

The old credit effectively reduced the corporate income tax rate from 11 per cent to 8 per cent. The new credit still effectively reduces the corporate income tax rate by 3 percentage points, but the new numbers are 12 per cent to 9 per cent to reflect an increase in the corporate income tax rate from 11 per cent to 12 per cent, effective January 1, 2018.

- The *Liquefied Natural Gas Project Agreements Act* (LNGPAA) further restricted the credit amount such that if the 11 per cent corporate income tax rate was reduced, there was no change to the 8 per cent threshold (for example, if the corporate income tax rate was reduced to 10 per cent, the effective tax credit amount would be limited to a reduction in the effective corporate income tax rate of 2 percentage points). However, if the corporate income tax rate went above 11 per cent, there was statutory authority in the LNGPAA to increase the rate above the 8 per cent threshold (this was to ensure the tax credit amount could not exceed the 3 percentage point threshold).
- The LNGPAA is being repealed and there is no corresponding policy outlined in legislation under the new credit.



## Bridge, Jannea FIN:EX

---

**From:** Karp, David FIN:EX  
**Sent:** May 28, 2019 5:46 PM  
**To:** Purnell, Richard FIN:EX  
**Cc:** Bergh, Esther FIN:EX  
**Subject:** Major LNG facility note  
**Attachments:** 381955 - BN - major LNG facility.docx

G:\TPB\NATURAL GAS TAX CREDIT\381955 - BN - major LNG facility.docx

*David Karp*

Director, Income Tax | Tax Policy Branch | Ministry of Finance  
105 – 617 Government Street, Victoria, BC V8W 9V8  
Tel. 778-698-5778 | Email: [David.Karp@gov.bc.ca](mailto:David.Karp@gov.bc.ca)

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Carole James  
Minister of Finance  
and Deputy Premier

**Date Requested:** May 28, 2019  
**Date Required:** May 31, 2019

**Initiated by:** Richard Purnell  
Executive Director  
Tax Policy Branch

**Date Prepared:** May 28, 2019

**Ministry Contact:** Esther Bergh  
Strategic Advisor  
Tax Policy Branch

**Phone Number:** 778-698-9668  
**Email:** Esther.Bergh@gov.bc.ca  
**Cliff #:** 381955

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**TITLE:** Natural Gas Tax Credit Regulations – Major LNG Facility

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**PURPOSE:**  
**(X) DECISION REQUIRED**

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**DATE PREPARED:** April 23, 2019

**TITLE:** Natural Gas Tax Credit Regulations – Major LNG Facility

**ISSUE:** The amount of LNG that a “major LNG facility” must be capable of producing each year.

**BACKGROUND:**

On April 11, 2019, the *Income Tax Amendment Act, 2019* (the “Amendment Act”) received royal assent. The Amendment Act implements a natural gas income tax credit under Part 13 of the *Income Tax Act*, while repealing the *Liquefied Natural Gas Income Tax Act*.

In order to provide liquefied natural gas (LNG) proponents with certainty regarding their eligibility for a credit, a decision must be made regarding the prescribed amount of LNG that a “major LNG facility” must be capable of producing each year.

s.13

There are two existing LNG projects of note in B.C. First, Fortis operates an LNG facility in Delta with a capacity of 0.3 million tonnes per annum (MTPA). Second, Woodfibre LNG announced a final investment decision in 2016 to proceed with building a 2.1 MTPA facility in Squamish. In comparison, the initial capacity of LNG Canada’s facility is expected to be 14 MTPA.

s.13; s.17

**DISCUSSION:**

s.13; s.17

Page 09 of 12 to/à Page 11 of 12

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s.13; s.17

s.13; s.17

**APPROVED / NOT APPROVED**

\_\_\_\_\_  
Carole James  
Minister and Deputy Premier

\_\_\_\_\_  
Date

## **Lund, Rose FIN:EX**

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**From:** Michell, Jennifer FIN:EX  
**Sent:** April 1, 2019 9:54 AM  
**To:** Spilker, Robyn FIN:EX  
**Cc:** Reid, Heidi FIN:EX; Lawson, Liam FIN:EX  
**Subject:** LNG  
**Attachments:** LNG Canada - March 2019.pdf

Here is the material from Sadaf's group

### **Jennifer Michell**

Director, Executive Operations & Strategic Initiatives  
Office of the Deputy Minister | Ministry of Finance  
Tel. 250-356-6696 | Email: [Jennifer.Michell@gov.bc.ca](mailto:Jennifer.Michell@gov.bc.ca)

## **Lund, Rose FIN:EX**

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**From:** Michell, Jennifer FIN:EX  
**Sent:** May 6, 2019 3:07 PM  
**To:** Reid, Heidi FIN:EX  
**Cc:** Spilker, Robyn FIN:EX; Lawson, Liam FIN:EX  
**Subject:** Memo for Minister  
**Attachments:** s.12; s.17

Please see attached a memo from Heather Wood for the Minister.

Thanks  
Jen

### **Jennifer Michell**

Director, Executive Operations & Strategic Initiatives  
Office of the Deputy Minister | Ministry of Finance  
Tel. 250-356-6696 | Email: [Jennifer.Michell@gov.bc.ca](mailto:Jennifer.Michell@gov.bc.ca)

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Withheld pursuant to/removed as

s.12; s.17



## **Lund, Rose FIN:EX**

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**From:** Spilker, Robyn FIN:EX  
**Sent:** May 10, 2019 9:10 AM  
**To:** Lawson, Liam FIN:EX  
**Subject:** FW: Woodfibre meeting

fyi

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**From:** Foster, Doug FIN:EX  
**Sent:** May 10, 2019 8:49 AM  
**To:** Spilker, Robyn FIN:EX  
**Cc:** Michell, Jennifer FIN:EX ; Wanamaker, Lori FIN:EX ; Manahan, Suzanne EMPR:EX ; Turner, Geoff J EMPR:EX ; Purnell, Richard FIN:EX  
**Subject:** FW: Woodfibre meeting

I understand that Woodfibre LNG (WFLNG) wants to come in a see the Minister of Finance.  
Here are some facts and a recommendation.

Status Facts:

s.13

- The four measures provided to LNGC include 1) electricity services; 2) access to the natural gas income tax credit; 3) PST exemption on construction (including a performance payment agreement); and 4) access to CleanBC industrial incentives.

s.13

d.