
NEWS RELEASE

For Immediate Release
2018PREM0012-000480
March 22, 2018

Office of the Premier

New framework for natural gas development puts focus on economic and climate targets

VICTORIA – As part of a new approach to natural gas development, the British Columbia government is overhauling the policy framework for future projects, while ensuring those projects adhere to B.C.'s climate targets, Premier John Horgan announced today.

“Our new approach welcomes investment that puts our province’s people and future first, and rejects the old ways of resource development at any cost,” Premier Horgan said. “Our obligation is to the people who call British Columbia home, and our job is to get the best deal for them and the generations that follow.”

Under the new approach, all projects should:

- Guarantee a fair return for B.C.'s natural resources.
- Guarantee 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.

These four conditions form the basis for government's discussions with LNG Canada, which is moving toward a final investment decision on a project that, if approved, would be the largest private-sector investment in B.C. history. This project would see the construction of a natural gas pipeline from northeast B.C. to Kitimat, where a new terminal will process and ship LNG to Asian markets. It is expected to create up to 10,000 construction and up to 950 full time jobs in northern B.C.

“No premier or government can dismiss this kind of critical economic opportunity for the people of British Columbia,” Premier Horgan said. “But neither will we turn our back on our commitment to climate targets, or our path to reconciliation with Indigenous peoples.”

At the centre of the discussions with LNG Canada is a revised fiscal framework that is designed to put natural gas development on a level playing field with other industrial sectors, accessing the same fiscal policies and working within the same overall B.C. framework to achieve greenhouse gas (GHG) reductions.

The new framework, to which LNG Canada will be subject, provides:

- Relief from provincial sales tax (PST), in line with the policy for manufacturing sectors, subject to repayment in the form of an equivalent operational payment.
- New GHG emission standards under the Clean Growth Incentive Program, announced in Budget 2018.
- General industrial electricity rates consistent with other industrial users in B.C.

- Elimination of the LNG income tax that had required LNG-specific tax rates.

“The LNG Canada proposal has the potential to earn tens of billions of dollars and create thousands of jobs for British Columbians over the life of the project,” Premier Horgan said. “It’s a private-sector investment that could benefit our province for decades to come, but not at any price – we need to make sure the values British Columbians believe in come first.”

The Premier said his government will also expect the LNG Canada project to fit within the goals of the Province’s climate-change plan and, specifically, its legislated GHG reduction targets.

“We committed, during the election campaign, to reduce our greenhouse gas emissions by 40% below 2007 levels by 2030, and by 80% by 2050. That remains our goal,” Premier Horgan said.

“We cannot achieve the necessary reductions in greenhouse gas emissions and do our part in protecting the global environment without a significant shift to a low carbon economy. The work for all of us – in government, business, labour and beyond – is only just beginning. And all resource development proposals must be considered within the context of our global commitment to protecting our air, land and water.”

With B.C.’s new fiscal framework provided to LNG Canada this week, it is anticipated the company will make a final investment decision sometime before the end of this year.

Two backgrounders follow.

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BACKGROUND 1

For Immediate Release
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Office of the Premier
Ministry of Environment and Climate Change Strategy

Climate action in British Columbia

On April 1, 2018, the carbon tax will increase by \$5 a tonne annually, until 2022.

Increasing the carbon tax meets the requirements set out by the federal government's pan-Canadian climate framework. Rebates will go to a majority of British Columbians.

However, increasing the carbon tax alone will not enable B.C. to meet its long-term greenhouse gas-reduction goals of 40% below 2007 levels by 2030, and 80% by 2050. Significant new climate-action initiatives will be required in order for B.C. to meet these 2050 legislated targets, while encouraging strong economic growth. To ensure an interim target, new legislated targets for 2030 will be introduced later this year. Specific targets for each of the industrial, transportation and building sectors will also be established.

Meeting climate targets will not be easy and will require a concerted effort across all sectors to make the transition to a low-carbon economy. The addition of emissions from LNG will increase this challenge but government is committed to taking the steps necessary to achieve B.C.'s climate goals.

Specific Measures:

- A portion of the carbon tax revenue, paid by large industry, will fund a rebate program to incent the use of the greenest technology available in the industrial sector, including the natural gas sector, to reduce emissions and encourage jobs and economic growth. Some of the revenue will also go into a technology fund, to help spur new, clean technologies in all sectors, to make sure they fit within B.C.'s climate plan.
- The Climate Solutions Clean Growth Advisory Council (CSCG), established in October 2017, is supporting government's goal of reducing carbon pollution, preparing for the impacts of climate change and growing a sustainable economy. The CSCG is comprised of community leaders from across British Columbia, including representatives from First Nations, local government, industry, environmental organizations, academia and labour.
- The CSCG is providing advice on actions and policies to achieve significant greenhouse gas reductions, while taking advantage of opportunities for sustainable economic development and job creation.
- Immediate priorities for the CSCG include achieving emissions reductions in the transportation sector, developing pathways to clean economic growth, as well as policies to support the competitiveness of B.C.'s emissions-intensive and trade-exposed industries.
- Government is working to develop a framework for fugitive emissions that match the federal government's target of a 45% reduction by 2025.
- Government is examining every opportunity to reduce emissions from slash burning by

providing alternative economic usage for slash where available.

- Government has initiated a scientific review of hydraulic fracturing aimed at ensuring that industry in B.C. operates according to the highest-possible standards.

More information on the Climate Solutions and Clean Growth Advisory Council can be found at:
<https://www2.gov.bc.ca/gov/content/environment/climate-change/planning-and-action/advisory-council>

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BACKGROUND 2

For Immediate Release
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Ministry of Energy, Mines and Petroleum Resources

British Columbia establishes new framework for natural gas development

Natural gas has a key role to play to provide clean, reliable, affordable and less-carbon-intensive options to global energy markets.

British Columbia has a vast supply of low carbon-intensive natural gas resources in places like the Montney Basin, and has been developing them to support economic growth and job creation at home for decades. B.C. natural gas is an important transition fuel that can help B.C. move to a lower-carbon economy.

While B.C. has been exporting natural gas to U.S. markets for decades, it has an opportunity to export the same fuel to other jurisdictions. To that end, government will introduce a fiscal framework that will provide fair returns to both British Columbians and investors, as well as a climate strategy that will allow B.C. to meet its legislated climate targets.

To ensure British Columbia does it better than anybody else in the world, the provincial government has four key conditions to ensure British Columbians benefit from any proposed LNG development. They are:

- Guarantee a fair return for B.C.'s natural resources.
- Guarantee 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.

Emerging LNG Proposals

Despite the cancellation of Pacific Northwest LNG, Aurora and Woodside project proposals, several other LNG proponents have expressed renewed interest in developing projects in BC.

LNG Canada

LNG Canada's proposed Kitimat project, should it proceed, represents a very significant economic opportunity for British Columbia – a project that involves one of the largest private sector developments in B.C. history.

Shell and its joint-venture partners have worked constructively to satisfy the provincial government's conditions for LNG, and British Columbia expects LNG Canada will continue to do so moving forward.

LNG Canada is also working to achieve global leadership in low-emissions technology and operations.

Kitimat LNG

Chevron and its partners have expressed continued interest in developing its project in northern B.C. and is focusing on the use of new low-emissions liquefaction technology.

These come as the Province is completing a climate-action strategy in place that meets the Province's greenhouse gas-reduction targets – to reduce B.C.'s greenhouse gas emissions by 40% below 2007 levels by 2030, and by 80% by 2050.

New Framework

The B.C. government has developed a new framework aimed at ensuring British Columbians receive a good return for their natural gas resource and proponents receive a reasonable return on investment.

As part of this work, British Columbia and LNG Canada jointly conducted a financial analysis of the LNG Canada project. This analysis corroborated evidence and information from internationally recognized LNG analysts that B.C. has a competitiveness issue and formed the basis of a mutual understanding upon which the Province is prepared to commit measures that will increase the competitiveness of British Columbia's LNG industry.

These measures provide a framework for other industries in British Columbia in similar circumstances – they are not exclusive to the LNG industry or LNG Canada.

As it pertains to LNG Canada, the measures detailed below will only be implemented if the proponents are able to conclusively decide on or before Nov. 30, 2018, to proceed with the construction of the LNG facility and associated investments. These measures below would apply to the entire LNG sector.

1. New Operating Performance Payments

Under current legislation, proponents constructing significant manufacturing facilities would receive a PST exemption on input costs, whereas those proposing to construct LNG facilities would not.

Under the new framework, The B.C. government will exempt LNG Canada from the provincial sales tax (PST), on the construction of their initial proposed facility. This will be conditional on LNG Canada entering into a separate agreement with the province whereby LNG Canada will pay annual operating performance payments over 20 years, a total amount equivalent to what LNG Canada would have otherwise paid in PST during the initial facility construction period.

This framework will be available to all proponents constructing significant manufacturing facilities in the province. Clean Growth Incentive Program

2. The provincial government recognizes that energy-intensive trade-exposed industries, including the natural gas sector, face unfair competition when competing globally with jurisdictions that do not impose carbon taxes. Proponents who make a final investment decision to proceed will be subject to the new Clean Growth Incentive Program, announced by the provincial government in Budget 2018. A benchmark for world-leading clean LNG production will be established as part of this program, replacing existing requirements under the current Greenhouse Gas Industrial Reporting and Control Act.

3. Industrial Electricity Rates

Proponents who make a positive final investment decision will receive the general industrial electricity rate charged by BC Hydro. This is the same rate paid by other industrial users in British Columbia.

4. Removal of LNG Income Tax

The existing LNG income tax is not the most efficient and effective tool for generating returns to British Columbia. It is cumbersome to administer and has led to uncertainties. Government intends to introduce legislation to repeal this tax and instead government will utilize a number other tax and royalty measures under its new fiscal framework, to ensure that British Columbia gets a fair return for its natural gas resource.

New Approach to LNG

As part of establishing a new fiscal framework, the provincial government will take steps to improve the transparency and consistency with which it assesses industrial development opportunities. To that end, government intends to introduce legislation to repeal the Project Development Agreement Act, passed by the previous government, to tie the hands of future governments with respect to the rules governing LNG projects. These measures effectively indemnified proponents against changes. Government will also review and potentially cancel or repeal other LNG measures established by the previous government.

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LNG Framework Q&A

Q0: How does LNG Canada's project compare to PNW LNG?

A: Government established 4 conditions under which it would support LNG projects in BC.

With respect to First Nations, the PNW LNG project faced considerable opposition from affected First Nations whom the previous government dismissed as a "ragtag group" In contrast, LNG Canada has made significant efforts to garner the support of First nations and will continue to do so.

With respect to environmental impacts, PNW LNG would have produced substantially more emissions annually than LNG Canada. Additionally, the PNW LNG project would have produced greater emissions intensity (0.23) than LNG Canada (0.15). Moreover PNW LNG faced considerable challenges with respect to its impacts on salmon and marine mammals.

With respect to employment, the projects are similar size and would have required similar job numbers. However, PNW LNG proposed to employ Temporary Foreign Workers for up to 70% of its workforce, while 95% of LNG Canada workforce will be comprised of Canadians.

Comparing the revenues that government would have received from PNW LNG is difficult because the project was cancelled and economic conditions have changed. However, if the LNG Canada project proceeds, BC will receive tens of billions in revenues over the life of the project.

Q1: Why did you call the reduction of LNG Income Tax from 7% to 3.5% a sellout, when you are proposing to eliminate it entirely?

A: The existing LNG Income Tax is not an efficient or effective means for generating returns to British Columbia. And its poor

design has been identified as a serious detriment to investment in British Columbia. In fact the tax was structured in such a way that the proponent would not have paid any LNG Income Tax until after it had recovered its capital costs – which could be decades.

The LNG Income Tax was confusing to industry and was not transparent to taxpayers. Indeed, the tax was dropped from 7% to 3.5% with little explanation.

Our government intends to do things differently. We will introduce legislation to repeal this tax and instead utilize a number of existing tax and royalty measures to ensure that British Columbians receive a fair return. Under our framework LNG Canada will contribute tens of billions in taxes and royalties to the BC economy over the life of the project.

Q2: You criticized the Petronas deal as a sellout for not generating a fair return for taxpayers for their resource. Why then, did you cut a deal with LNG Canada?

A: It's very difficult to compare the return government could have seen under the PNW LNG project to that which we expect under the new fiscal framework. The previous deal was based on different gas prices and a different global market.

What we are creating is a framework that provides a good return to British Columbia for its natural gas resource and a fair return to investors. We believe this will allow us to get closer to a positive final investment decision later this year.

A2 It is also worth noting that LNG Canada will produce fewer emissions, is based in a better location and has more support from First Nations.

Q3: Why are you planning to exempt LNG Canada from the PST?

A: Proponents building other types of manufacturing facilities are exempt from the PST on input costs. Under our new framework, PST exemption will apply to LNG facilities. However, proponents will have to enter into an agreement with government, whereby the proponent (in this case LNG Canada) would pay annual Operating Performance Payments over a 20-year period. Total payments will be equivalent to the amount otherwise paid as PST during the 7 year construction period. This agreement benefits both LNG Canada and the Province

Q4: Why did you eliminate a tax (LNG IT) and leave the company with a tax credit on the income tax (Natural Gas Tax Credit)?

A: The existing LNG Income Tax is not an efficient or effective means for generating returns to British Columbia. And its poor design has been identified by other governments and industry in Asia as a serious detriment to investment in British Columbia.

The LNG Income Tax was confusing to industry and was not transparent to taxpayers. Indeed, the tax was dropped from 7% to 3.5% with little explanation.

Our government intends to do things differently. We will introduce legislation to repeal this tax and instead utilize a number of existing tax and royalty measures to ensure that British Columbians receive a fair return. Under our framework LNG Canada will contribute tens of billions in taxes and royalties to the BC economy over the life of the project.

The government will introduce legislation to repeal the Act and government will rely on a number of existing tax and royalty measures to ensure that British Columbians receive a fair return.

The Natural Gas Tax Credit has been retained as part of a suite of measures aimed at improving BC's competitiveness and as a tool to use BC natural gas in the liquefaction.

Q5: You criticized earlier projects for employing TFWs. How many TFWs will LNG Canada employ?

A: We expect that if the project proceeds, up to 5% of the workforce will be made up of temporary foreign workers and 95% will be Canadians. We expect LNG Canada to seek to bring this small percentage of TFWs to fill jobs for which unique skills are required. In contrast the PNW LNG project proposed to source as much as 70% of its workforce from outside Canada.

Q6: Kitimat LNG, PNW LNG (Petronas), Woodfibre are currently permitted projects...how can you prevent them from proceeding?

A: Government has set out a framework that is available to any proponent interested in a resource development or industrial project. In the case of LNG, the previous government developed unrealistic expectations about the scope of opportunity in BC and in the global market. That said, all new industrial projects, including the proposed LNG Canada project will be evaluated to determine if they can fit within BC's legislated emissions targets.

A2 The climate plan is under development. It is our intention to have a credible plan that has room in it for the continued growth of our economy and jobs. This project, if built, will be the lowest emissions from any large LNG project in the world. There will be impacts but we are not stepping back from our targets.

However, government is committed to achieving its climate goals and as a result it's hard to imagine any subsequent LNG

project fitting into our climate plan unless it used extremely low-emission technology and extensive electrification.

Q6B So will LNG Canada effectively be the last LNG project permitted under government climate strategy?

A: Any new project, LNG or otherwise, will have to fit within BC's climate changes strategy and the fiscal framework will be there.

Q7: Who are the proponents?

A: Shell Canada (50%), Korea Gas Corporation (KOGAS) (15%), Mitsubishi Corporation (15%), and PetroChina Company Limited (20%).

Q8: Is there a pipeline connecting to the facility?

A: Yes - the Coastal GasLink Pipeline project. Coastal GasLink Pipeline Ltd. is a wholly-owned subsidiary of TransCanada PipeLines Limited. The pipeline was issued an Environmental Assessment Certificate from the BC Government in October 2014, with 32 conditions.

Q9: Does LNG Canada have export approval from Canada?

A: Yes. The National Energy Board granted LNG Canada with exporting rights to ship for 40 years, with an annual volume of 26 million tonnes of LNG.

Q10: What's the estimated investment of LNG Canada?

A: LNG Canada has indicated that its proposal will include a direct investment of \$40 billion (CDN).

Q11: What are your government's conditions for the LNG industry?

A: Proposals must include express guarantees of jobs and training opportunities for British Columbians;
Proposals must provide a fair return for our resource;

Proposals must respect and make partners of First Nations;
and

Proposals must protect our air, land, water, including living up
to our climate commitments.

Q12: Does LNG Canada have free prior and informed consent from affected First Nations in order to move this project forward?

A: Support for the facility has been strong in Kitimat and with First Nations communities. The Haisla Nation (where the facility will be located) fully endorse LNG Canada. That said, government has informed the proponents that they need to continue working to address the concerns of First Nations.

Q13: What are the economic benefits for First Nations if this project moves forward and which First Nations bands will benefit?

A: Many First Nations along the pipeline route also support the project, and agreements remain in place with specific benefits for those along the proposed route. To date, LNG Canada has invested an estimated \$60 million on agreements with First Nations.

Q14: You said LNG must meet four conditions. How does this project meet the condition on the environment while Pacific Northwest LNG did not?

A: The Carbon Tax will increase to \$50/tonne – before any plant comes online. Under the new measures introduced in the budget, the LNG industry will pay the carbon tax just as any other industry that qualifies for the Clean Growth Incentive initiative.

LNG Canada has committed to 0.15 tonne of greenhouse gas per tonne of LNG, which will be below the benchmark

established as cleanest facility in the world (0.16). In contrast, Pacific Northwest LNG forecast their emissions to be considerably higher at 0.23 per tonne

In addition, the federal government is establishing new requirements for methane, meaning upstream methane emissions will be reduced by 45%. Provincial regulations to reduce fugitive methane emissions are in development.

LNG Canada is intending to procure most of its natural gas from the south part of the Montney Basin where there are options to electrify operations. In contrast, the Pacific Northwest LNG feedstock was to be sourced mostly from the north part of the Montney Basin where electrification was not an easy option.

Q16: In a letter to the CEAA, the NDP opposed Pacific Northwest LNG saying the project has “unacceptable high and inadequately regulated greenhouse gas emissions.” How is this project any different? How will GHGs be better regulated now?

A: The Carbon Tax will increase to \$50/tonne – before any plant comes online. The LNG industry will pay the carbon tax just as any other sector, based on the provisions of the recently announced Clean Growth Incentive initiative.

LNG Canada has committed to 0.15 tonne of greenhouse gas per tonne of LNG, which will be below the benchmark established as cleanest facility in the world (0.16). In contrast, Pacific Northwest LNG forecast their emissions to be considerably higher at 0.23 per tonne

In addition, the federal government is establishing new requirements for methane, meaning upstream methane

emissions will be reduced by 45%. Provincial regulations to reduce fugitive methane emissions are in development.

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Q17: You opposed Bill 2 - the government's "world's cleanest LNG" legislation – saying it does not apply to 70% of GHG emissions in the LNG lifecycle (upstream). You said that the 70% upstream must be included to be credible.

A: The Carbon Tax increase applies all sectors based on the provisions of the recently announced Clean Growth Incentive initiative. Upstream emissions will be taxed unless they demonstrate they are 'the best in the world'. Most of the feedstock for LNG Canada is expected to come from the south part of the Montney basin where aggressive electrification is already taking place. Further, methane emissions will be regulated directly to ensure a 45% reduction in methane by 2025, consistent with the federal approach to methane reduction.

Q18: Why are you using the Energy Intensive Trade Exposed provision (Clean Growth Incentive Program) to support LNG?

According to the Climate Leadership Team report:

"The [LNG] sector also faces some important challenges that we have accounted for in designing our recommendations. North America now has abundant supplies of relatively low cost natural gas, so B.C. is competing with a number of new suppliers for a limited market. Our recommendations to reduce the PST (generally by 1 basis point and entirely on electricity rates) and make available transitional support for emissions-intensive, trade-exposed sectors are intended to address this reality – particularly if B.C.'s climate policy materially exceeds the stringency of our competitors."

The Clean Growth Incentive program is designed for all large industrial emitters who compete with jurisdictions that do not pay carbon taxes.

The Climate Leadership Team in their 2015 report made a recommendation (#5c) to establish a mechanism like the Clean Growth Incentive Program that allows the price signal of the carbon tax to be maintained while putting in place competitiveness measures for industries that compete globally against industry in jurisdictions with little or no carbon tax. All industrial emitters will be eligible to participate in the Clean Growth Incentive Program.

All emitters will pay the carbon tax. If emissions hit a global benchmark as the world's cleanest, like the LNG Canada facility is expected to do, emitters will be entitled to a rebate on the carbon tax above \$30/tonne. The more the emissions are above the global benchmark, the less of the carbon tax the emitter will receive as a rebate – consistent with the polluter pay principle. In this way, government is encouraging global leading performance in GHG reductions for all industry including LNG.

This approach is designed to avoid what's referred to as 'carbon leakage', meaning an increase in carbon dioxide emissions in one jurisdiction as a result of an emissions reduction by a second jurisdiction (British Columbia in this case) with a strict climate policy.

Q19: Was the Climate Solutions and Clean Growth advisory panel consulted on the design of the EITE measure? Did they know it would include LNG?

A: The workplan endorsed by the Climate Council identifies a competitiveness program like the Clean Growth Incentive Program for industry as an early priority for government.

The Climate Council will have a chance to review and provide comments on the specifics of the program before government finalizes program details.

Q20: Can government meet its legislated GHG targets while allowing LNG to proceed?

A: To be clear, new emissions sources will add to government's climate challenge.

That said, the 2050 target for BC is approximately 13 million tonnes of GHGs. We are currently at 64 million tonnes of GHG. New emission sources may add to the challenge of meeting our own climate target, which will be a challenge with or without LNG.

The Clean Incentive Program will provide new resources to drive the transition for all industry to reduce emissions.

Q21: How can you expect every other industry in BC to reduce their emissions significantly while giving LNG a free pass?

A: LNG is not getting a free pass. LNG, like all industry, pays the carbon tax. LNG, like all industry, has the opportunity to access the new Clean Growth Incentive program as their emissions hit a global benchmark for cleanest in the world.

Every industry, just like every individual, will need to take measures to shift to a lower carbon future. Our carbon tax, which is going up after a 6 year freeze, will be the highest in North America. It will provide an incentive to all industry to reduce emissions.

Q22: The Pembina Institute and even the Chair of your climate panel have questioned the ability of BC to meet its climate targets if LNG Canada goes forward.

A: We are committed to putting together a climate strategy that will enable the province to meet our targets, and many of those

who have commented on the project have a different understanding of its expected emissions.

Analysis by the Ministry of the Environment found that the project could increase emissions by up to 4 Megatonnes – including associated upstream emissions.

The analysis further showed that this could be reduced by up to half with the adoption of aggressive upstream measures like electrification.

Meeting our climate targets will not be easy – with or without further natural gas development – but we are committed to developing a climate strategy to meet those goals.

We believe we can accommodate emissions associated with the project while meeting our targets.

Q:23 How can this framework apply to all LNG projects without blowing your climate targets? How would you control further development?

A: The Minister for the Environment and Climate Change has been clear that there may not be room for additional LNG projects unless they have very low emissions.

We are committed to putting together a climate strategy that will enable the province to meet our targets.

And we have been clear with any LNG companies that one of our conditions for the sector is that it must fit within these targets.

We've looked at the numbers for LNG Canada and while it makes things more difficult, we believe that we can fit it into this strategy.

Q24: What improvements have you made over the BC Liberals?

A: Unlike the old government we are not signing a blank cheque for companies with the promise to reimburse them for any changes to taxes or climate measures that raise their costs.

In fact we will introduce legislation to repeal the Project Development Agreement Act which would tie the hands of future governments to respect the democratically expressed wishes of British Columbians.

While Pacific Northwest LNG was proposing to use up to 70% temporary foreign workers, LNG Canada is looking at just 0-5%.

From a climate perspective, this proposal would have less than half or even a third the emissions of Pacific Northwest LNG.

But most importantly, our government is committed to actually meeting our climate targets.

There is lots of work to do make up for the backsliding and lost time but we are up to the task and we believe British Columbians are too.

This includes ensuring that any LNG development fits within our responsibilities for climate action.

Q25: Christy Clark recently said that the NDP would have to pay an additional risk premium to land LNG – is that what we are seeing today?

"It's great news to hear that the NDP has reversed course on LNG," Clark wrote on January 19. "Yes, in order to rebuild trust in their government, they will likely have to pay an added "insurance policy" in the form of reduced taxes for LNG companies. Nonetheless, they seem to have recognized the long term benefits of a new industry for workers and taxpayers in this province. LNG will be a lasting legacy to be proud of." (facebook post, January 19)

A: The previous government made a number of promises regarding the development of LNG including:

- Creating a trillion in economic activity over 30 years;
- Creating a \$100 billion Prosperity Fund;
- Using LNG revenues to retire the provincial debt;
- Using LNG revenues to eliminate the PST;
- Having an LNG facility up and running by 2015;
- Having three LNG facilities up and running by 2020.

None of these things happened.

We are creating a fiscal framework that is available to any LNG proponent that will ensure a good return to British Columbians and fair return to investors.

And unlike the previous government, we are not abandoning our climate targets.

In fact we will introduce legislation to repeal the Project Development Agreement legislation which would tie the hands of future governments to respect the democratically expressed wishes of British Columbians.

We took a hard look at the competitiveness challenges facing BC LNG and took steps to unlock investment.

This project, if it is built, will create hundreds of long-term jobs and billions in long-term revenues to support the services British Columbians rely on.

Q26: Why are you freezing carbon taxes for LNG?

A: In Budget 2018 we announced that we would implement measures to protect energy intensive trade-exposed sectors who are competing in export markets with companies not subject to any carbon tax.

This is what we have laid out and it requires companies to be global leaders in low emissions and to seek ongoing additional reductions.

These measures will apply evenly across all such sectors whether or not LNG Canada proceeds.

Climate action and economic development must go hand in hand.

Q27: How will the reduction in the electricity rate impact BC Hydro revenues?

A: We are simply ensuring that the same industrial hydro rates that apply to other companies in BC are applicable to natural gas development.

BC Hydro had not factored revenues from LNG projects into their outlook.

Our decision to continue with Site C was based on protecting British Columbians from having to pay \$4 billion with nothing to show for it – it was not based on any assumptions about LNG.

Q28 Has LNG Canada met the four conditions? How will you assure they do?

A: I am pleased with the company's progress to meet the four conditions – including securing support from the Haisla First Nation, and investments and redesign to significantly reduce emissions.

Our analysis shows that this project could contribute hundreds of permanent jobs and tens of billions in revenues to support the services people rely on.

I expect the company to continue to advance the project in this spirit.

We have been clear with all companies looking to do business here that they must live up to these principles – and that involves ongoing work on their part.

Q29: What about the Unist'ot'en protest camp blocking the Coastal Gas pipeline?

A: I acknowledge that this is a challenging situation and have made clear to the company that they must work to resolve it with respect.

For our part, our government recognizes the need to reset our relationship with the Wet'suwet'en Nation and hereditary leaders.

In embracing the UN Declaration on the Rights of Indigenous Peoples, BC is committed to work with the Wet'suwet'en Nation and hereditary leaders to find a path forward.

We will assist in re-engagement efforts but ultimately it is the responsibility of the company to find a resolution.

Q30: The Green Party has said it doesn't support this framework and will bring down the government if you try to pass it into law. What is the path forward?

A; We have been clear that any LNG development in BC must fit within BC's climate goals. That is not negotiable.

Minister Heyman is taking the lead on developing a climate change strategy that factors in possible LNG development.

I want to acknowledge Dr. Weaver's life's work on climate change and invite him to play a key role in developing that strategy.

And I acknowledge that we disagree on important parts of this file. We are doing government differently. We are working together to solve problems and resolve our disagreements.

For example he disagrees with the EITE measures proposed in the budget should be applied to the LNG sector. We will have to work to resolve that.

To his credit, he is determined to work with us and industry to see if these issues can be resolved.

And to his credit, in spite of his disagreement with certain measures, he has agreed to work with us to try to develop that strategy.

As Premier, it's my responsibility to make decisions in the best interest of British Columbians.

I want to ensure that everyone in this province has the opportunity to share in our economic prosperity – while we protect our environment for future generations.

Natural Gas Development Framework Update and Technical Briefing

Don Wright
Deputy Minister to the Premier
March 22, 2018



PURPOSE OF BRIEFING

Update on:

- Announcement of a new framework for natural gas development
- Status of ongoing engagement with LNG Canada
 - In preparation for their upcoming meeting of joint venture partners
 - In preparation for their subsequent Final Investment Decision
 - Provisional B.C. commitments to industry competitiveness, subject to positive Final Investment Decision

OUTLINE OF TECHNICAL BRIEFING

- I. Background
- II. New Government's Position on LNG
- III. LNG Canada Project
- IV. Economic Impacts
- V. B.C. Climate Plan
- VI. B.C. Provisional Commitments

I. Background

BACKGROUND

- Previous government's LNG aspirations were overly optimistic
 - 20 projects
 - Very large estimates of future government revenues

BACKGROUND

- Optimistic revenue forecasts reflected in extraordinary measures that LNG proponents were expected to pay
 - LNG electricity price greater than standard industrial rate
 - LNG income tax on top of standard corporate income tax
 - LNG plants not treated as manufacturing facilities with respect to PST

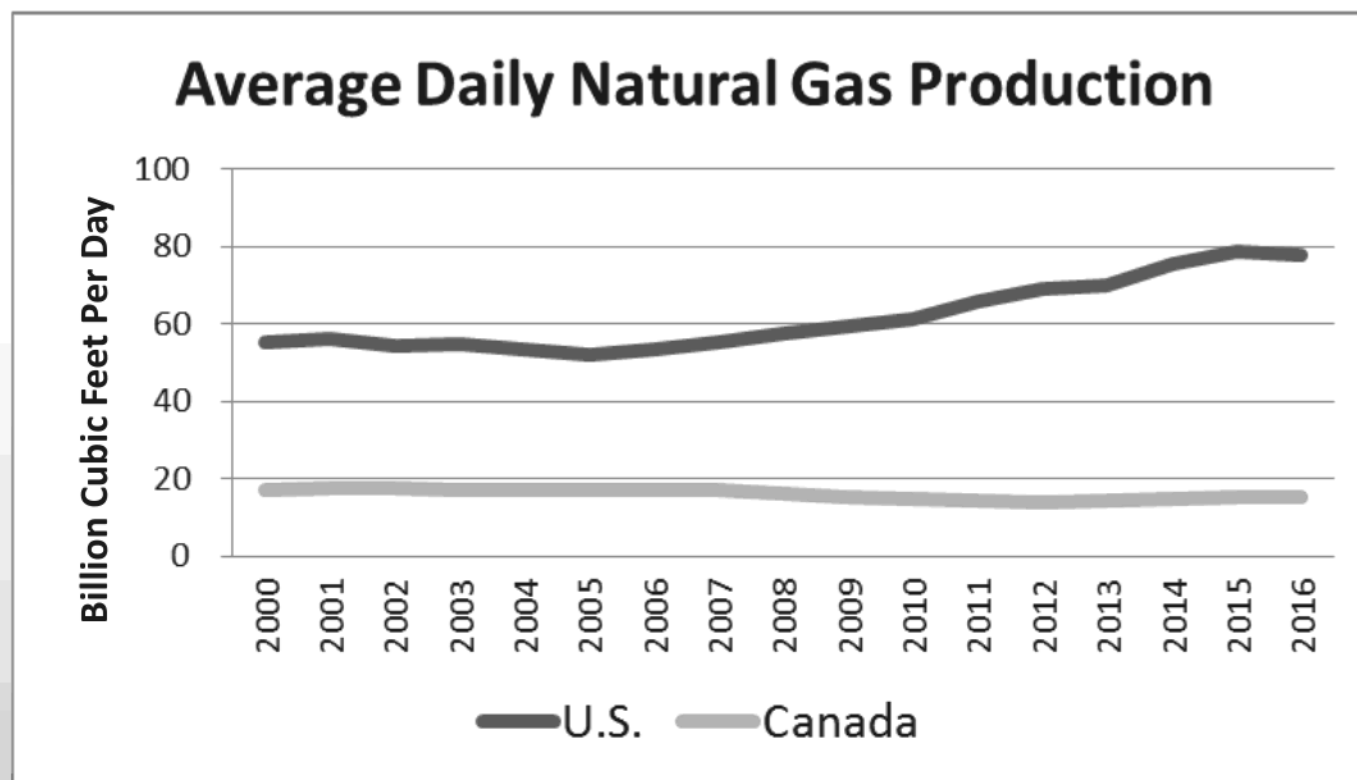
BACKGROUND

- Market evidence of this over-optimism is clear
 - No large LNG plants operating
 - No Final Investment Decision made to start building an LNG plant
 - 5 proponents for plants have cancelled plans

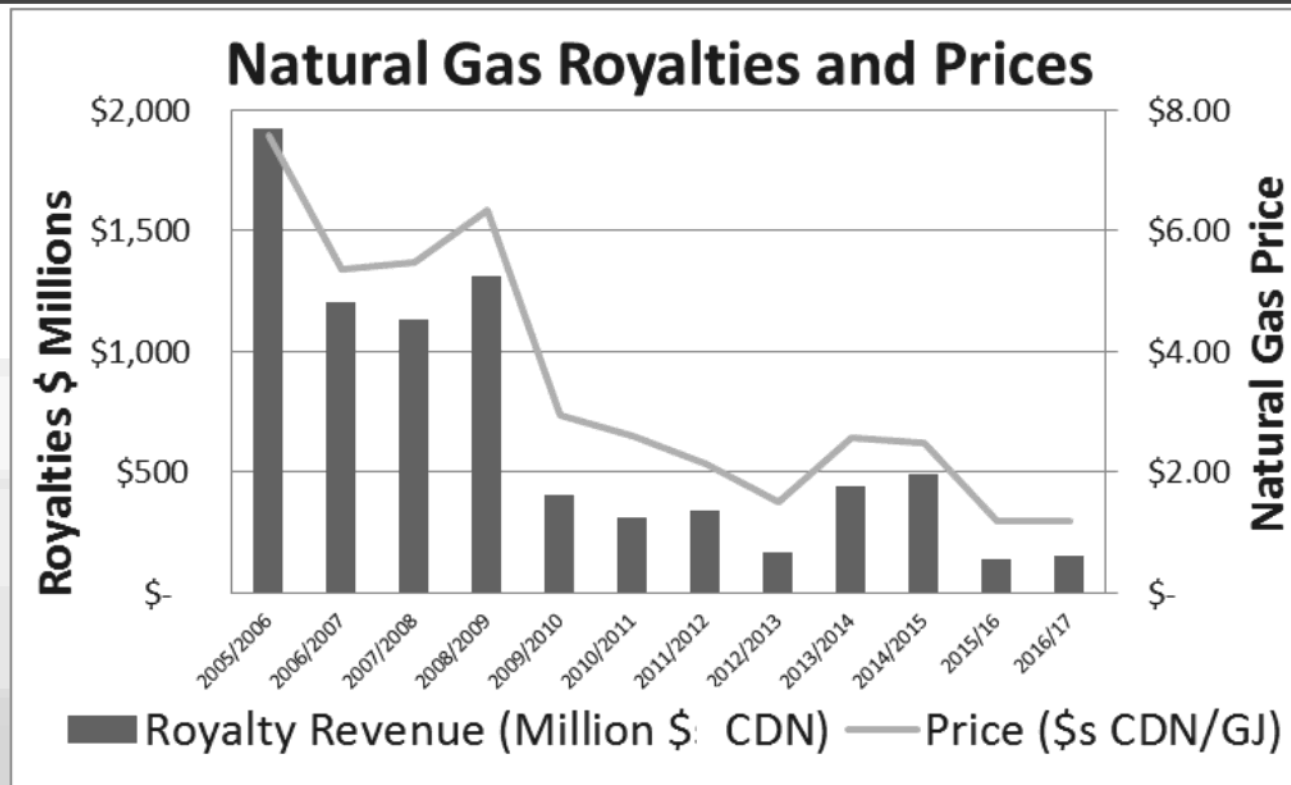
BACKGROUND

- To be fair, there was a rationale for pursuing LNG based on the relative economics of natural gas sold into the North American market versus the Asia market

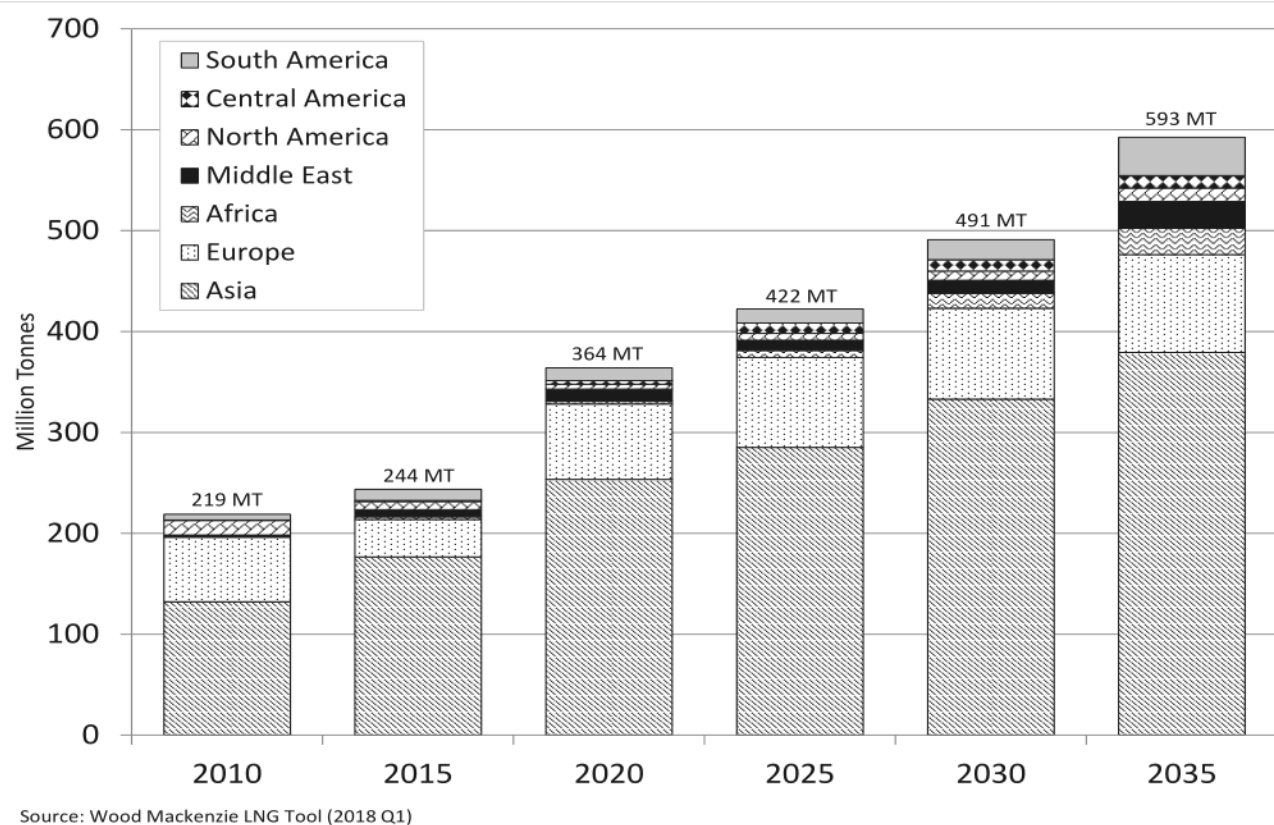
NORTH AMERICAN PRODUCTION



IMPACT ON NATURAL GAS PRICES AND B.C. GOVERNMENT REVENUES



PROJECTED LNG DEMAND GROWTH



II. New Government's Position on LNG

NEW GOVERNMENT APPROACH TO LNG

- Following the 2017 election, the new government asked the Ministries of Energy, Environment and Finance to develop a realistic approach to LNG that could
 - Be accommodated within B.C.'s climate plan
 - Fit B.C.'s commitment to reconciliation with Indigenous Peoples
 - Establish cost-competitive conditions for the industry
 - Maximize financial benefits to B.C. through major investment, job creation and government revenues

CONDITIONS FOR LNG SUPPORT

Cabinet equipped the ministries with four conditions for any LNG development, establishing that any proposals must:

1. Provide a fair return for access to our public resources
2. Include express guarantees of jobs and training opportunities in B.C.
3. Respect and make partners of B.C. First Nations
4. Protect our air, land, water, including support for climate solutions

SUSTAINABLE SHARED PROSPERITY PARADIGM

- Cabinet asked the ministries to approach this analysis recognizing that economic development, climate action and reconciliation are **parallel and mutually dependent** priorities
- This approach acknowledges that
 - The resources to support reconciliation must come from economic growth
 - The resources to advance climate action must come from economic growth
 - Reconciliation is fundamental to growing B.C.'s economy
 - Economic growth has to fit within a low-carbon industrial strategy that enables B.C. to meet carbon goals

III. LNG Canada Project

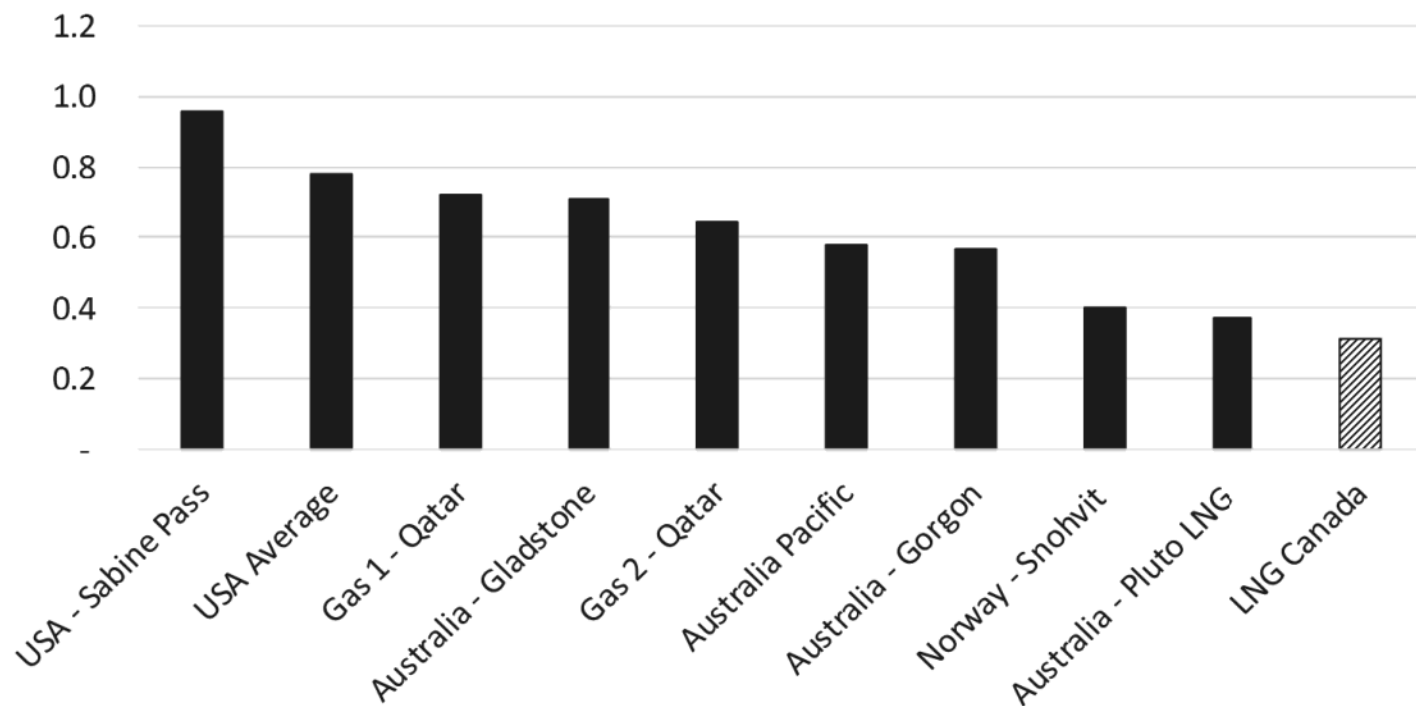
LNG CANADA PROJECT

- LNG Canada is a joint venture of Shell Canada (50%) with PetroChina, KOGAS and Mitsubishi
- The LNG Canada project includes
 - Investment in Northeast B.C. gas fields
 - Coastal GasLink Natural Gas Pipeline to Kitimat
 - Terminal at Kitimat
 - Ships for transport to Asia
- Project has received the support of most – but not all - area First Nations
- Would be the least GHG-intensive large LNG facility in the world

LNG GREENHOUSE GAS EMISSIONS INTENSITY

Global Emissions Intensity Comparison

Emissions Intensity
(tonnes of CO₂e emissions
per tonne of LNG produced)



STATUS AND TIMING

- LNG Canada is proceeding to Final Investment Decision
 - Meets with partners next week
 - Final Investment Decision anticipated in 2018
- A decision to proceed would trigger \$40 billion in investment
- Cost competitiveness is a key factor in making the investment decision
 - B.C. LNG is competing against LNG projects on the U.S. Gulf Coast

IV. Economic Impacts

LNG CANADA ECONOMIC IMPACTS

The project would:

- Provide significant net government revenue over the next 40+ years
- Provide significant economic benefits for First Nations from Northeast to Kitimat
- Provide good jobs and economic activity in a part of the province that has faced economic challenges
- Be the single biggest capital project in B.C. history
- Support rural economic development
 - LNG Canada expenditures in communities along the alignment already exceed \$100 million

DIRECT BC REVENUE POTENTIAL

- The Ministries of Finance and Energy have estimated that the project will generate \$22 billion in direct government revenue over the next 40 years
 - Significantly more if “multiplier” effects are taken into account

JOBS AND TRAINING

- Construction employment peaks at 10,000 in 2021
- LNG Canada has agreed to place priority on local, then B.C. hiring
- Target of 25% apprenticeships
- LNG Canada will follow best practices to maximize First Nations participation
- Ongoing direct operational employment (2024-2063) of 950 FTEs
- Construction and operational employment is expected to be primarily high-wage jobs

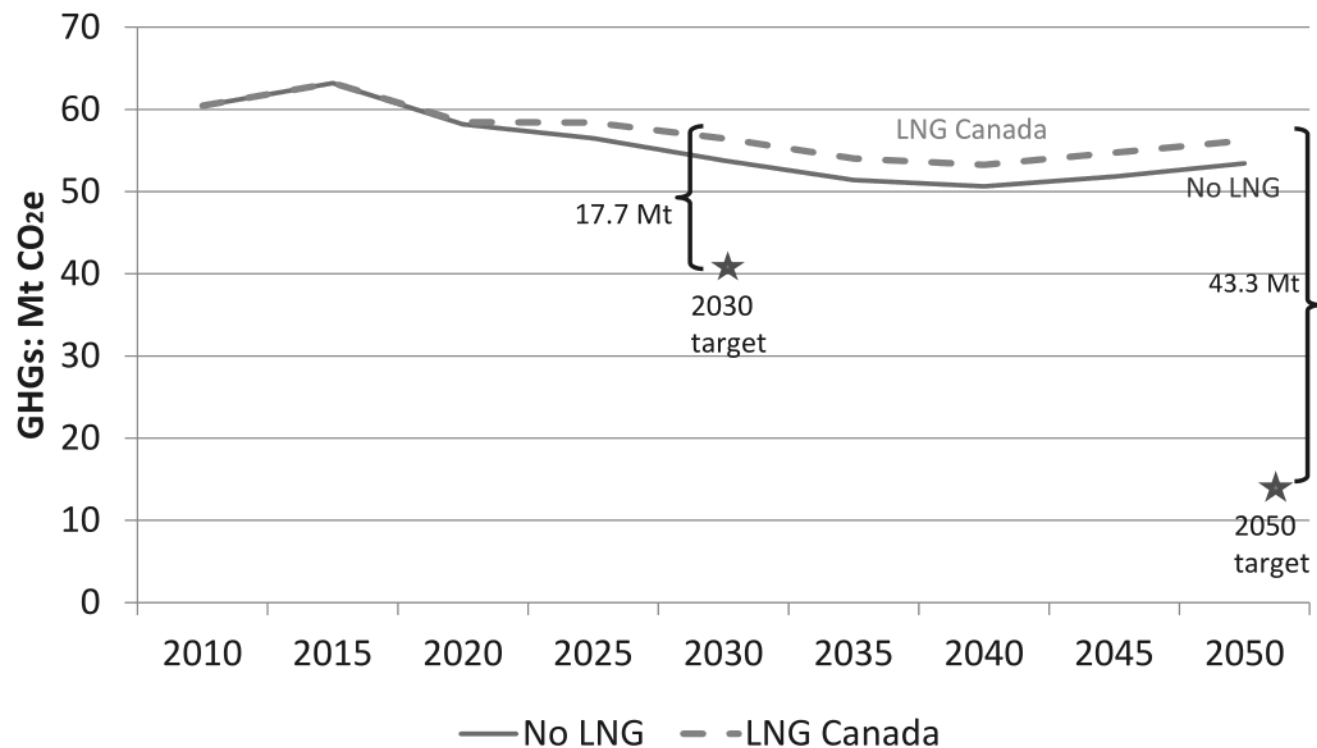
V. Climate Action Plan

CLIMATE ACTION PLAN

- Government is firmly committed to meeting climate goals
- Ministry of Environment is developing a Climate Action Plan
 - Including advice from Climate Solutions and Clean Growth Advisory Council
- Accommodating LNG Canada within our climate goals is possible, but will require that we make faster progress on
 - Electrification of transport and heating
 - Implementing strategies that enable industries to be the least GHG-intensive per unit of output in the world

GHG EMISSIONS FORECAST – CURRENT POLICY

No LNG and LNG Canada



FORECAST LNG CANADA EMISSIONS

In Megatonnes

Case	Upstream GHGs	Facility GHGs	Total GHGs
LNG Canada 2 Trains	2.27 M	1.8 M	4.07 M
Aggressive upstream electrification (-0.6 M)	1.67 M	1.8 M	3.47 M
Lower incremental BC gas supply (-1.86 M)	0.41 M	1.8 M	2.21 M
Aggressive upstream electrification and lower incremental BC gas supply (-1.97M)	0.3 M	1.8 M	2.1 M

PREVENTING CARBON LEAKAGE

Government is committed to implementing a comprehensive Climate Action Plan that will meet B.C.'s carbon goals without disadvantaging our large industries

- B.C.'s clean, technologically-advanced industries compete against producers from parts of the world that have low or no carbon price
- Losing market share to companies who pay little or no carbon tax – *known as carbon leakage* – harms B.C.'s economy while causing higher global carbon emissions

COMPETITIVENESS FOR ALL LARGE INDUSTRY

LNG Canada project can serve as a template for establishing a low-carbon strategy for other sectors

- Global benchmark – cleanest in the world
- Rebate on new / additional carbon tax
- Benchmark becomes even cleaner over time

ASIA IS CONVERTING TO NATURAL GAS

- Asian demand for natural gas will continue to grow
 - B.C. can choose to supply low GHG-intensive gas, helping to offset some of developing world's carbon footprint
 - Or we can leave this demand to be supplied with higher GHG-intensive gas from other parts of the world

V. B.C. Provisional Commitments

OPTIONS FACING GOVERNMENT

I. Stick with inherited fiscal framework

Recognizing low probability of realizing economic benefits from B.C. resource endowments

II. Make changes to improve the cost-competitiveness of LNG development, coupled with stronger commitments on climate change and reconciliation with Indigenous Peoples

Thereby increasing the potential that one or more LNG projects is able to complete

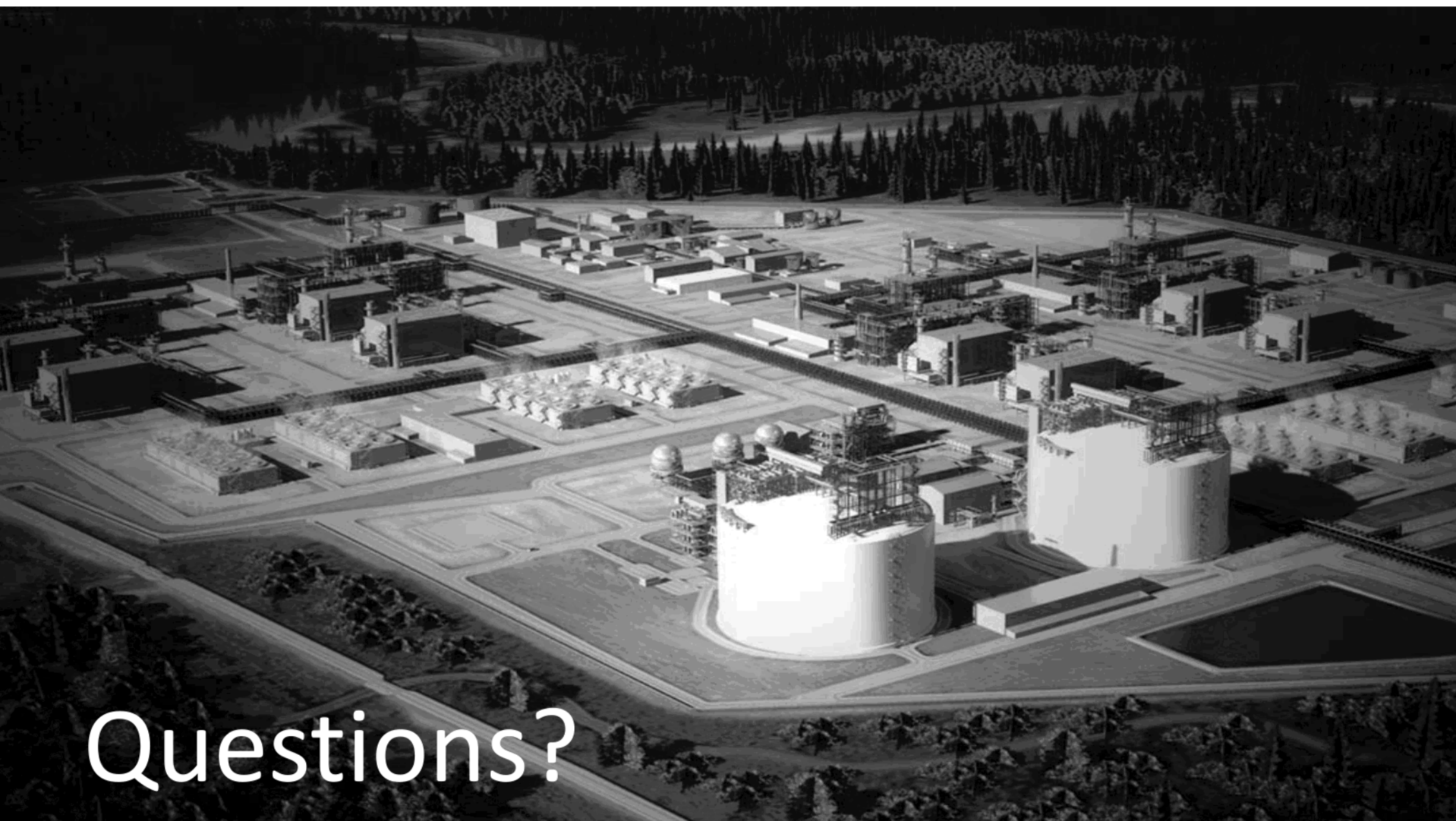
After extensive analysis and deliberation, government has elected to proceed with Option II

SUPPORT FOR COST COMPETITIVENESS

- Government has advised LNG Canada that – if it makes a positive Final Investment Decision by November 2018 – B.C. will:
 - Provide a PST exemption on construction costs of the LNG facility, as would apply to any manufacturing facility
 - However, the government will recapture foregone revenues once the project is up and running
 - Carbon tax treatment consistent with that provided to all large industry
 - Supply electricity at the standard industrial rate
 - Repeal the LNG income tax

IMPORTANT POINTS TO EMPHASIZE

- We are not saying that the LNG Canada project is going ahead
- Government has clarified the fiscal framework that LNG Canada (or any LNG proponent) will face if it decides to proceed
- LNG Canada's decision will depend on their analysis of
 - Relative cost competitiveness
 - Commitments from the federal government
 - Support from First Nations, recognizing the government's commitments to reconciliation and UNDRIP



Questions?

ANNOUNCEMENT: NATURAL GAS DEVELOPMENT & CLIMATE STRATEGY

BACKGROUND & KEY MESSAGES

Background	
Topline	<ul style="list-style-type: none">• Premier Horgan is announcing a new approach to natural gas development in BC.• Under the new approach, all projects should:<ul style="list-style-type: none">○ Guarantee a fair return for B.C.'s natural resources.○ Guarantee 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.
First Application: LNG Canada	<ul style="list-style-type: none">• This approach forms the basis for discussions with LNG Canada, which is moving towards a final investment decision on a project that would be the largest private-sector investment in BC's history.• This project would see a pipeline built to carry natural gas from northeast BC to Kitimat – a new terminal there would process and ship LNG to Asian markets.
A New Policy Framework	<ul style="list-style-type: none">• As part of the new approach, government is overhauling the policy framework for future natural gas development, including:<ul style="list-style-type: none">○ Relief from Provincial Sales Tax (PST) in line with the policy for manufacturing sectors, subject to repayment in the form of an equivalent operational payment.○ New GHG emission standards under the Clean Growth Incentive Program announced in Budget 2018.○ General industrial electricity rates consistent with other industrial users in B.C.○ Elimination of the LNG income tax that had required LNG-specific tax rates.• NOTE: These provisions would apply <i>ONLY</i> if LNG Canada makes a positive final investment decision.

Messages	
Key Messages	<ul style="list-style-type: none">• Our new approach welcomes investment that puts our province's people and future first, and rejects the old ways of resource development at any cost.• Our obligation is to the people who call British Columbia home, and our job is to get the best deal for them and the generations that follow.• We will welcome potential LNG development only if fits within our climate goals and our legislated GHG reduction targets.

Messages: BC First	<ul style="list-style-type: none"> • No responsible government can dismiss this kind of significant economic opportunity for the people of British Columbia. • But neither will we turn our back on our commitment to climate targets or our path to reconciliation with Indigenous Peoples.
Messages: Climate	<ul style="list-style-type: none"> • We committed, during the election campaign, to reduce our greenhouse gas emissions by 40 percent below 2007 levels by 2030 and by 80 percent by 2050. That remains our goal. • We cannot achieve the necessary reductions in greenhouse gas emissions and do our part in protecting the global environment without a significant shift – across all sectors – to a low carbon economy. • The work for all of us – in government, business, labour and beyond – is only just beginning. And all resource development proposals must be considered within the context of our global commitment to protecting our air, land and water. • The proposed LNG Canada project in Kitimat would be the world’s cleanest in terms of GreenHouse Gas (GHG) emissions intensity (amount of GHG emitted per unit of LNG produced).
Messages: Economic	<ul style="list-style-type: none"> • The LNG Canada proposal has the potential to earn tens of billions of dollars and create thousands of jobs for British Columbians over the life of the project. • It’s expected to create up to 10,000 construction jobs and up to 950 full time jobs in northern BC. • It’s a private-sector investment that could benefit our province for decades to come, but not at any price – we need to make sure the values British Columbians believe in come first.
Messages: First Nations	<ul style="list-style-type: none"> • Our government has made it clear that any proposed natural gas project must respect and make partners of First Nations. • LNG Canada has made significant progress in working with – and reaching agreement with – the majority of First Nations in the project area. • As the company moves forward on its final investment decision, it will need to continue its work in bringing First Nations into the project and committing to specific benefits.
Messages: Fracking	<ul style="list-style-type: none"> • In March, our government moved forward with an independent scientific review of hydraulic fracturing (fracking) to make sure it is meeting the highest safety and environmental standards. • We know British Columbians have questions about fracking. It’s our job to make sure that natural gas operations continue to meet world-class standards and best practices to protect BC’s environment.

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