

Howlett, Tim GCPE:EX

From: Howlett, Tim GCPE:EX
Sent: Thursday, October 25, 2018 11:40 AM
To: Hannah, Matt GCPE:EX
Subject: RE: note
Attachments: LNG Canada - agreement.docx

From: Howlett, Tim GCPE:EX
Sent: Thursday, October 25, 2018 11:39 AM
To: Hannah, Matt GCPE:EX <Matt.Hannah@gov.bc.ca>
Subject: note

LNG Canada - Agreement

Background:

- Today in QP the Opposition asked if the government has signed any agreements with LNG Canada, with a focus on whether the government has made commitments to the company and on jobs and training.
- LNG Canada will receive relief from PST on construction costs in exchange for a commitment to pay annual operating performance payments over 20 years equivalent to what they would have paid in PST.
- Government is finalizing the details of the agreement regarding operating performance payments.
- LNG Canada has publicly committed to a Local Hire First policy and required their main contractor to abide by it. LNG Canada has already spent \$2.85 million on workforce development and plans to spend much more.

Message:

- This is the largest private sector investment in Canadian history - it is a strong vote of confidence in BC and good news for the people of our province.
- We've been very clear about our new LNG framework which was essential to unlock this investment and the benefits for British Columbians.
- Those elements have been public since March.
- We are working out the details of an agreement regarding the operating performance payments.
- Once that work is complete we will certainly provide further information.

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Howlett, Tim GCPE:EX

From: Howlett, Tim GCPE:EX
Sent: Wednesday, October 24, 2018 11:31 AM
To: Sanderson, Melissa MEM:EX; Andrews, Scott EMPR:EX
Subject: note
Attachments: 2018.10.18 QP FINANCE - LNG Canada - Letter.docx

LNG Canada – Letter from Opposition

Highlights:

- On Oct 17th Mike De Jong sent a letter to the Finance Minister asking for details of any agreement between the Government of BC and LNG Canada.
- The Letter notes the requirement under the LNG Project Agreements Act that the Minister must publish details of an LNG project agreement. The Province did not enter into an LNG project agreement under the LNG Project Agreements Act.

s.13

Solution:

- Our government has a different approach to LNG that puts our province's people and future first.
- I just received the member's letter and have asked staff to review it and prepare a response.
- We've been clear about our LNG Framework that ensures benefits for British Columbians while putting the sector on a level playing field with other industry.
- LNG Canada will pay the same electricity costs as any other industrial customer like a mine or mill or UBC or Vancouver Airport.
- Relief from PST for construction costs will be repaid through Performance Payments and will be available to other major investment projects.
- The Clean Growth Incentive Program was announced in Budget 2018 and is available to any company that outperforms global benchmarks for cleanest facility.
- We are removing the ineffective LNG Income Tax in favour of existing taxes and royalties which will generate \$23 billion.
- The new framework unlocked the largest private sector investment in Canadian history.

Background:

- On October 18th, MLA De Jong sent a letter to the Minister of Finance asking for details of any deal between the Government of BC and LNG Canada.
- The letter specifically asks for terms of any agreement,
 - whether it includes termination rights for either party,
 - whether it contains 'most favoured nation' or 'me too' provisions,
 - whether it includes specific requirements for hiring, training and local procurement,
 - whether BC offered LNG Canada an indemnity for tax changes
 - whether BC offered LNG Canada an indemnity for costs of GHG regulatory changes.
- The letter notes that according to the LNG Project Agreements Act, the Minister must publish details of an LNG project agreement. The Province did not enter into an LNG project agreement under the LNG Project Agreements Act.
- LNG Canada announced a positive Final Investment Decision for a \$40 billion LNG terminal at Kitimat which has already received regulatory approvals.
- The LNG Canada project will generate investment of \$26 billion in BC and generate more than 10,000 construction jobs and 950 permanent jobs during operations.
- The project will contribute \$23 billion in taxes and royalties to BC revenues over the life of the project.
- In 2016, LNG Canada postponed a Final Investment Decision.
- In March 2018 the Province presented a new framework for natural gas development that would be implemented if LNG Canada proceeds. It includes:
 - Operating Performance Payments to replace PST on construction (same as other major investment projects)
 - Clean Growth Incentive Program as available to best-in-class companies in other energy-intensive, trade-exposed sectors.
 - Access to the standard industrial electricity rate.
 - Removal of the LNG Income Tax so normal Corporate Income Tax applies.
- Industrial ratepayers include mines, mills, as well as UBC, Vancouver airport, Greater Vancouver Water District, and City of New Westminster among others.

Howlett, Tim GCPE:EX

From: Howlett, Tim GCPE:EX
Sent: Friday, October 19, 2018 9:59 AM
To: Hannah, Matt GCPE:EX
Subject: FW:

re De Jong letter

From: Flanagan, Paul FIN:EX
Sent: October 18, 2018 11:54 AM
To: Spilker, Robyn FIN:EX <Robyn.Spilker@gov.bc.ca>
Cc: Gillezeau, Rob FIN:EX <Rob.Gillezeau@gov.bc.ca>; Wanamaker, Lori FIN:EX <Lori.Wanamaker@gov.bc.ca>; Michell, Jennifer FIN:EX <Jennifer.Michell@gov.bc.ca>
Subject:

Draft response. We will work on a response letter for next week.

s.13,s.17

Howlett, Tim GCPE:EX

From: Spilker, Robyn FIN:EX
Sent: Thursday, October 18, 2018 11:55 AM
To: Howlett, Tim GCPE:EX
Cc: Gillezeau, Rob FIN:EX
Subject: FW:

fyi

From: Flanagan, Paul FIN:EX
Sent: October 18, 2018 11:54 AM
To: Spilker, Robyn FIN:EX <Robyn.Spilker@gov.bc.ca>
Cc: Gillezeau, Rob FIN:EX <Rob.Gillezeau@gov.bc.ca>; Wanamaker, Lori FIN:EX <Lori.Wanamaker@gov.bc.ca>; Michell, Jennifer FIN:EX <Jennifer.Michell@gov.bc.ca>
Subject:

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s.13,s.17

Howlett, Tim GCPE:EX

From: Howlett, Tim GCPE:EX
Sent: Thursday, October 18, 2018 10:54 AM
To: Gillezeau, Rob FIN:EX; Spilker, Robyn FIN:EX; Hannah, Matt GCPE:EX
Subject: RE: draft note
Attachments: 2018.10.18 QP FINANCE - LNG Canada - Letter.docx

updated

From: Howlett, Tim GCPE:EX
Sent: Thursday, October 18, 2018 10:19 AM
To: Gillezeau, Rob FIN:EX; Spilker, Robyn FIN:EX; Hannah, Matt GCPE:EX
Subject: draft note

Tim Howlett
Issues Manager
Strategic Issues Division, GCPE
250.208.4828

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- I thank the member for his letter and have asked staff to prepare a response.
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 - Access to the standard industrial electricity rate.
 - Removal of the LNG Income Tax so normal Corporate Income Tax applies.
- BC Hydro Industrial rate customers presently pay more than their cost of service because the connection costs are much lower as electricity is delivered at transmission voltage and does not require substations and converters.. In effect there is a subsidy from industrial ratepayers to individual and commercial ratepayers.
- Industrial ratepayers include mines, mills, as well as UBC, Vancouver airport, Greater Vancouver Water District, and City of New Westminster among others.
- Petronas bought a 25% stake in the LNG Canada project in July 2018.
- Coastal Gaslink announced they have development agreements with all elected First Nations councils along the route of the project on September 14th, 2018.
- On July 25th, 2017, Pacific Northwest LNG announced they would not proceed with their project at Prince Rupert. The project had already received federal and provincial approvals.
- On Sept 14th, 2017, Aurora LNG announced they would not be proceeding with their proposed \$28 billion Prince Rupert project due to global market conditions.

Howlett, Tim GCPE:EX

From: Spilker, Robyn FIN:EX
Sent: Thursday, October 18, 2018 9:43 AM
To: Howlett, Tim GCPE:EX; Hannah, Matt GCPE:EX; Gillezeau, Rob FIN:EX
Subject: Letter from Opposition
Attachments: Scan_20181018.pdf

Importance: High

Hi all,

We just received the attached letter from de Jong on the LNG agreement,s.13,s.17
s.13,s.17

R.

From: RSPIKE <Robyn.Spilker@gov.bc.ca>
Sent: October 18, 2018 9:40 AM
To: Spilker, Robyn FIN:EX <Robyn.Spilker@gov.bc.ca>
Subject: Scan From <Device Name>



LEGISLATIVE ASSEMBLY of BRITISH COLUMBIA

October 17, 2018

Honourable Carole James
Minister of Finance
Room 153 Parliament Buildings
Victoria, BC V8V 1X4

MINISTER OF FINANCE

REFERRAL NUMBER: _____
REFER TO: MIN ☐ DM ☐ MA ☐ AC ☐

RECEIVED: **OCT 18 2018**

DRAFT ☐ REPLY ☐ INFO ☐ FILE ☐

REMARKS: _____

Re: LNG Canada – Investment Decision

Dear Minister:

On October 2, 2018 the Government of British Columbia and LNG Canada jointly announced that company's intention to proceed with the establishment of a liquefaction facility in Kitimat. During the course of the announcement, and in subsequent comments in the Legislative Assembly, the Premier and members of Cabinet have referred to agreed upon terms between the Government of British Columbia and LNG Canada. The Premier has dismissed questions from the Leader of the Opposition seeking more detail about the agreement and suggested that all members should know "exactly what was agreed to..." (Hansard, October 4, 2018 10:30am). Of course the challenge for all British Columbians is that despite the passage of more than two weeks since the announcement they know virtually nothing about the terms of the agreement the Government has negotiated with LNG Canada.

The investment decision taken by LNG Canada is significant and, ultimately, good news for British Columbia. However, it is worth remembering that the resource upon which it is based belongs to British Columbians and they are entitled to know, in detail, the terms upon which their government is facilitating long term access to that resource.

In the absence of any meaningful disclosure from your government I seek answers to the following questions:

1. Has the Government of British Columbia entered into any form of agreement with LNG Canada relating to that company's decision to proceed with the establishment of a liquefaction facility in B.C.?

.../2

BC Liberal Official Opposition
Parliament Buildings
Victoria, BC V8V 1X4



LEGISLATIVE ASSEMBLY

of BRITISH COLUMBIA

-2-

2. If the Government of British Columbia has entered into an agreement with LNG Canada what is the term of that agreement?
3. If the Government of British Columbia has entered into an agreement with LNG Canada does that agreement include provisions setting out termination rights for either the Province or LNG Canada?
4. If the Government of British Columbia has entered into an agreement with LNG Canada does that agreement include "most favored nation" protection or "me-too" provisions?
5. If the Government of British Columbia has entered into an agreement with LNG Canada does that agreement include specific requirements for hiring, training and local procurement? What are the requirements?
6. Has the Government of British Columbia provided to LNG Canada an indemnity respecting the amount of additional tax that would be paid by LNG Canada in the event of a future tax law change?
7. Has the Government of British Columbia provided to LNG Canada an indemnity respecting the direct costs that would accrue to LNG Canada for complying with a greenhouse gas regulatory change?

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LEGISLATIVE ASSEMBLY of BRITISH COLUMBIA

-3-

As you will recall, the previous government negotiated a comprehensive project development agreement with the proponents of the proposed Pacific Northwest LNG Project. That agreement was brought before the House in a special sitting that took place in July 2015. At that time members were given an opportunity to review and critique the agreement clause by clause. Will the present government be giving legislators and the citizens of BC a similar opportunity to review any agreement that has been reached with LNG Canada? If not, why not? In posing this question I draw your attention to section 8 of Bill 30 (2015) which reads as follows:

8. The minister must, as soon as practicable, publish
 - (a) an LNG project agreement entered into under s.2
 - (1) or ratified under s.3, ...

As you will know, Bill 30 came into force on July 21, 2015 and remains the law of British Columbia.

I thank you for your consideration of these questions and look forward to your earliest possible reply.

Yours truly,

Michael de Jong, Q.C.
MLA Abbotsford West