

## **MINISTRY OF NATURAL GAS DEVELOPMENT**

### **BRIEFING NOTE FOR INFORMATION**

- I. PREPARED FOR:** Honourable Rich Coleman, Minister of Natural Gas Development
- II. ISSUE:** Referral to Minister Coleman for decision on the application for issuance of an Environmental Assessment Certificate (EAC) for the Woodfibre LNG Limited Export Terminal Project (the Project).
- III. BACKGROUND:**
- Woodfibre LNG Limited (Proponent), an operating entity wholly owned by Pacific Oil and Gas Limited, an energy company within the Royal Golden Eagle group of companies headquartered in Singapore, has completed the requirements for an environmental assessment of the Project. The application for an Environmental Assessment Certificate (EAC) was sent to the Minister of Environment and the Minister of Natural Gas Development on August 19, 2015.
  - The Project consists of an LNG export facility on the former Woodfibre Pulp and Paper Mill site, located in the District of Squamish, approximately 7 km west-southwest of Squamish. The Project would include up to two liquefaction trains, with a total capacity of 2.4 million tonnes of LNG per annum at full build out; floating storage and offloading unit (FSO), including mooring and marine terminal for carriers, consisting of two converted LNG carriers; condensate storage tank; seawater cooling system; wastewater treatment facilities; and flare systems.
  - The proposed Project, including the FSO, is in the asserted traditional territory of Squamish Nation. The shipping route is in the asserted traditional territories of Squamish Nation, Tsleil-Waututh Nation, Musqueam Nation, Cowichan Tribes First Nation, Halalt First Nation, Lake Cowichan First Nation, Lyackson First Nation, Penelakut First Nation, and Stz'uminus First Nation. Members of Métis Nation BC also reside in the area.
  - Natural gas would be supplied to the Project by the Eagle Mountain-Woodfibre Gas Pipeline Project, owned and operated by FortisBC Energy Vancouver Island Inc, which is currently undergoing a provincial EA concurrently with the proposed Project.
  - The Project entered the provincial environmental assessment process on November 27, 2013. On February 19, 2014 the environmental assessment process was approved for a "substituted environmental assessment" under the Canadian Environmental Assessment Act. The substituted environmental assessment allows projects to be reviewed through a single process – the provincial one – while each agency reaches its own independent decision.
  - The Proponent estimates the Project will have an expected capital cost of \$1.4 to \$1.8 billion. Total construction costs are estimated at \$619 million, of which 55 percent is expected to be spent in BC.

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- During operations it is estimated that \$540 million would be spent annually in BC.
- The Application Review stage of the EA process started on January 13, 2015, following a 30-day evaluation of the Application against the Application Information Requirements (AIR) by the Environmental Assessment Office (EAO) and the Working Group. The Working Group and public provided additional review and comment on the Application and supplementary material during the Application Review stage. During the EA, in consideration of the public interest and at the request of the Proponent, the EAO extended the public comment period from 45 to 60 days, to provide more time for the public to review the Application.
- The Proponent and Squamish Nation entered into an agreement early in the EA that set out a separate process between the parties to discuss the potential effects of the Project on the asserted Squamish Nation Aboriginal Rights and Title.
- On June 30, 2015, at the request of the Proponent, the 180-day time limit was suspended to allow the Proponent additional time to complete a review of Squamish Nation Council's conditions and to submit a report to the EAO. On August 10, 2015 after consulting with Squamish Nation and agreeing to meet the relevant conditions that applied to the Project, the EAO lifted the suspension and completed the EA of Woodfibre on August 19, 2015.

#### IV. DISCUSSION

- Concerns raised during the EA included potential harm to marine fish from the seawater cooling system water intake; marine water quality from the seawater cooling system; marine transport vessel activity in the project area; and shipping-related accidents and malfunctions.
- The EAO's assessment report examined 15 valued components. These are components of the natural and human environment that are considered by the Proponent, public, Aboriginal groups, scientists and other technical specialists, and government agencies involved in the assessment process to have scientific, ecological, economic, social, cultural, archaeological, historical or other importance.
- The EAO identified key mitigation measures for the valued components and reached conclusions on their residual effects, and determined none to be significant. To ensure the effects of the Project are sufficiently mitigated, the EAO proposes 25 other conditions.
- The EAO examined potential impacts of the proposed Project on asserted Aboriginal rights and title. Squamish Nation and Tsleil-Waututh Nation were consulted at a deeper level. The remaining Aboriginal groups listed above were consulted at a notification level. As part of the substituted EA process, EAO also consulted all the above Aboriginal groups on behalf of the federal government.

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**REVIEWED BY:**

**Brian Hansen, ADM** ✓

**APPROVED BY:**

**Steve Carr, DM** ✓

**MINISTRY OF NATURAL GAS DEVELOPMENT  
BRIEFING NOTE FOR INFORMATION**

**I PREPARED FOR:** Honourable Christy Clark, Premier

**II ISSUE:** Update on Painted Pony Petroleum Ltd.

**III BACKGROUND:**

Painted Pony Petroleum Ltd. (Painted Pony) is a growth-oriented Canadian public natural gas producer, focusing entirely on the development of natural gas and natural gas liquids production in the Montney resource play in Northeast British Columbia. Painted Pony is headquartered in Calgary, Alberta.

Painted Pony is one of the most active producers in the northwest section of the BC Montney play trend, with Montney rights now totalling 139,000 acres (216 net sections), including the Cypress, Blair Creek, Daiber and Town areas along with assets in the Townsend-Kobes area. Painted Pony estimates its Montney gas resources at 3.15 trillion cubic feet equivalent.

s.17,s.21

**IV DISCUSSION:**

In November, 2014, Painted Pony acquired 14.5 sections of Montney land for \$66.8 million. The company continues to delineate and develop its large-scale Montney assets which are conveniently located near current and planned gas processing and pipeline infrastructure. For 2015, the company plans to execute capital investment spending of \$104 million.

Also in November 2014, Painted Pony entered into a 15-year strategic alliance with AltaGas Ltd. (AltaGas), which provides for additional natural gas processing, marketing and egress solutions.

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On June 29, 2015, Painted Pony entered into a transportation agreement with Spectra Energy Transmission (Spectra) with a contract for 220 million cubic feet per day (MMcf/d) of firm capacity on the Spectra T-North transmission line in British Columbia, commencing on November 1, 2016. The agreement with Spectra provides Painted Pony with flexibility to supply proposed LNG markets, traditional Pacific Northwest USA markets, and potential for future connection into the Alberta natural gas pipeline market.

Painted Pony is confident that a strong demand for LNG exports will develop for British Columbia gas producers, including the proposed AltaGas-Idemitsu Douglas Channel project at Kitimat, expected to come on-stream in 2018.

Painted Pony has commenced its pre-drill program for the new AltaGas Townsend gas processing facility, completing four wells to date. Over the next 14 months, the company expects to drill and complete an additional 18 wells under this program.

The company's five-year model for Montney development calls for the drilling of more than 240 wells, culminating in net production volumes of 0.6 bcf per day by 2019.

Painted Pony has participated in the Infrastructure Royalty Credit Program (IRCP) twice, the first was a pipeline approved in 2007 as a partner with Progress, and the second was approved in 2009 for a road, also in partnership with Progress. These projects totaled \$1.9 million in approved credits. s.17,s.21

s.17,s.21

## V CONCLUSION:

Painted Pony continues to pursue the development and expansion of its Montney gas assets. It is one of the most active producers in the Montney play area in British Columbia.

Painted Pony plans to drill 240 wells from 2015 to 2019 in the northwest section of the Montney play trend. Painted Pony is well positioned to be a key supplier to British Columbia's proposed west coast LNG export terminals.

### REVIEWED BY:

Stephen Pal, Director

✓

Richard Grieve, A/ADM

✓

### APPROVED BY:

Steve Carr, DM, MNGD ✓

**MINISTRY OF NATURAL GAS DEVELOPMENT  
BRIEFING NOTE FOR INFORMATION**

**I PREPARED FOR:** Honourable Rich Coleman, Minister of Natural Gas Development

**II ISSUE:** Encana Corporation (Encana) request and appeals to Ministry of Finance for carbon tax exemption.

**III BACKGROUND:**

Carbon tax is a broad based tax that applies to the purchase or use of fuels, such as gasoline, diesel, natural gas, heating fuel, propane and coal.

In December 2011, Encana applied to the Ministry of Finance (Finance) for a carbon tax refund of \$867,656.96 for the non-combusted use of natural gas from July 1, 2008 to June 30, 2011. Encana argued that the subject natural gas volumes were not combusted but were used for processing raw gas at the well site and also to create pressure to open and close valves to insert chemicals (methanol or corrosion inhibitors) down the well-hole.

Sections 16 and 17 of the Carbon Tax Regulation (CTR) provide nine exemption categories for non-combusted fuel use. These include fuel that is not combusted when used: 16 (a) as a raw material in an industrial process to produce or upgrade another fuel; 17 (c) in pipeline pigging; 17 (d) in down-hole operations at the well site; and 17 (e) to remove impurities in the processing of natural gas.

In April 2013, a Senior Auditor at Finance rejected Encana's refund request. Finance argued that the definition of the term "use" in the *Carbon Tax Act* (CTA) is broad and inclusive and includes both combustible and non-combustible uses. Finance did not agree that the subject gas fit into the existing exemption categories. Encana appealed the decision July 2013 challenging Finance's interpretation of the applicability of the exemptions to the subject gas and also argued that the intent behind the CTA was not to tax natural gas used for processing. Encana further responded in July and August of 2014 to Finance's request for more information.

On November 27, 2014 Consumer Taxation Branch wrote Encana a letter for new monies owed for carbon tax from the same class of volumes in the appeal but now for the subsequent time period of July 1, 2011 to June 30, 2014.

On February 17, 2015 Encana filed a second appeal for the subsequent volumes. On June 24, 2015, Encana provided further information requested by the Tax Appeals Branch regarding the second appeal.

Both appeals are pending a decision and there is no timeline.

**IV DISCUSSION:**

In support of its position that the intent of CTA was not to tax natural gas used for processing, Encana points to public statements such as the first reading of CTA on April 28, 2008, when then Minister Carole Taylor said:

“The carbon tax will apply to virtually all fossil fuel combustion emissions that are included in the National Inventory Report, representing about 70 percent of total emissions in B.C.”.

Subsequently, then-Minister Collin Hansen indicated that

“... it is not the intention of the Carbon Tax Act to tax process emissions.”

Encana submits that these two statements demonstrate that the policy intent of the CTA and the CTR is to exempt non-combustion uses from the CTA.

In July 2013, the Canadian Association of Petroleum Producers (CAPP) wrote a letter to Finance in support of Encana’s position. CAPP indicated that the outcome of the Finance decision has industry wide implications and negatively impacts overall competitiveness of the upstream industry. CAPP holds the view that the intent of the CTA and CTR as revealed in previous Hansard transcripts, indicate that non-combusted industrial emissions are not subject to carbon tax, rather the intent is to tax combusted emissions. CAPP encouraged Finance to review the decision to collect carbon tax on non-combusted vented emissions.

Carbon tax applied to non-combusted uses of natural gas adds additional costs to the natural gas industry in British Columbia. These costs are not borne in other jurisdictions.<sup>s.12,s.13</sup>

s.12,s.13

## **V Next Steps:**

Whether or not the subject gas is exempt is a matter of interpretation of the law on which Finance must decide and respond.<sup>s.12</sup>

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**REVIEWED BY:**  
Michelle Schwabe,  
Director

**APPROVED BY:**  
Richard Grieve, A/ADM  
Steve Carr, DM, MNGD ✓



# OFFICE OF HOUSING AND CONSTRUCTION STANDARDS

## INFORMATION NOTE

**DATE:** August 12, 2015

**PREPARED FOR:** Honourable Rich Coleman, Minister

**ISSUE:** *Building Act* Implementation and Timelines

### **BACKGROUND:**

Implementation of the *Building Act*, which received Royal Assent on March 25, 2015 will begin in September 2015 and continue until late 2016.

### **DISCUSSION:**

The *Building Act* introduces major changes to the building regulatory system in British Columbia in the areas of consistency, competency and innovation. Legislative work to bring the Act into force and implement its sections is now underway (detailed in Table 1).

#### **Consistency**

##### **Timeline: Late 2015**

Starting in December 2015, local governments will have two years to rescind building requirements in their bylaws that exceed the BC Building Code. This timeframe aligns with the planned effective date of the 2017 BC Building Code.

#### **Potential Issues:**

- Local governments are requesting guidance to interpret the meaning of 'local building requirements'. The Province will need to provide clear and timely information for local governments on how to review their bylaws before the two-year transition period begins.

#### **Competency**

s.12,s.13

#### **Potential Issues:**

- Local governments have expressed concern about the costs for their staff to meet the new requirements (exams, continuing professional development, Building Officials' Association of BC (BOABC) membership), and about recruitment of qualified building officials, especially in remote communities. The Province will need to provide clear and timely communication to address these concerns.

## OFFICE OF HOUSING AND CONSTRUCTION STANDARDS INFORMATION NOTE

- The Act enables the Province to delegate authority to administer the qualification requirements to an external body, s.12,s.13  
s.12,s.13

### Innovation

#### Timeline: Late 2016

A provincial review process for proposals for innovative buildings is planned to be implemented in late 2016. The capacity of the Building Code Appeal Board (BCAB) will also be expanded to hear more complex appeals later in 2016.

#### Potential Issues:

- The provincial review process for innovative building proposals and expanded BCAB capacity both depend on Treasury Board approval of the *Building Act*'s cost recovery measures and a Building and Safety Standards Branch budget lift.  
s.12,s.13
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### CONCLUSION:

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The Branch is rolling out communications for each change as it takes place, including website updates, presentations and emails to specific stakeholder groups and public webinars.

### Enclosures/Attachments

Table 1:

Orders in Council and Minister's regulations for *Building Act* implementation, 2015/16

# OFFICE OF HOUSING AND CONSTRUCTION STANDARDS INFORMATION NOTE

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August 24, 2015

# OFFICE OF HOUSING AND CONSTRUCTION STANDARDS INFORMATION NOTE

s.12,s.13

Cliff 19737  
Version # 1  
Updated: August 11, 2015

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**MINISTRY OF NATURAL GAS DEVELOPMENT  
BRIEFING NOTE FOR INFORMATION**

**I PREPARED FOR:** Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing

**II ISSUE:** Meeting with Tim McMillan, President and CEO, Canadian Association of Petroleum Producers.

**III BACKGROUND:**

The Canadian Association of Petroleum Producers (CAPP) represents companies that explore for, develop and produce natural gas and crude oil throughout Canada. CAPP, on behalf of the Canadian upstream oil and gas industry, advocates for and enables economic competitiveness and safe, environmentally and socially responsible performance.

CAPP's member companies produce about 90 percent of Canada's natural gas and crude oil. Its associate members provide a wide range of services for the upstream industry. CAPP's members and associate members are an important part of a national industry with approximately \$120 billion a year in revenues.

On September 30, 2014 Mr. Tim McMillan resigned from Saskatchewan politics after seven years of service to take the position of President of CAPP, effective October 1, 2014. Before resigning Mr. McMillan served in a number of other portfolios, including Minister Responsible for Energy and Resources (see Appendix 1: Tim McMillan bio).

The Ministry of Natural Gas Development (MNGD) has historically enjoyed a productive relationship with CAPP, who has provided continued support, expertise and advice through open and frank discussions and participation in a variety of MNGD working groups.

**IV DISCUSSION:**

CAPP has requested this meeting to thank the Province of British Columbia (Province) for efforts in developing Project Development Agreements (PDA) and to discuss the new Climate Action Plan. On September 14, 2015, CAPP submitted a letter to the Climate Action Secretariat in response to the Climate Leadership Plan Discussion Paper outlining CAPP's position as detailed below.

**1. Economic Competitiveness**

As an overarching objective, CAPP recommends that any climate policy initiatives undertaken by the Province seek to enhance the economic competitiveness of British Columbia's upstream oil and gas sector to attract investment and create jobs.

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## **2. Carbon Price and Inter-Jurisdictional Alignment**

CAPP continues to support a carbon tax applied broadly to all combustion fuel sources but an increased carbon policy burden relative to other jurisdictions would impair the competitiveness of British Columbia's oil and gas sector, especially in this low price environment when operating margins are already reduced. CAPP recommends the creation of an innovation and technology fund that, would utilize greenhouse gas policy compliance funds to invest in short- and long-term emission reduction technology opportunities. The Government of British Columbia (Government) must take steps to ensure a robust, carefully designed credible offset system is available that can support the opportunities in oil and gas; for example, allowing offsets generated from upstream electrification for LNG.

## **3. Emissions reduction opportunities**

### ***Upstream Electrification***

Government and industry will need to explore mechanisms to support and encourage the choice of facility electrification in today's market conditions. Timing and certainty of transmission capacity will help to mitigate business risk for operators seeking to electrify.

### ***Carbon Capture and Storage (CCS)***

CAPP supports the development of CCS but cautions that market mechanisms alone will likely not be sufficient to incent commercial viability.

### ***Clean Infrastructure Royalty Credit Program***

Building on the success of the existing infrastructure royalty credit program, CAPP recommends that the Province create a broad clean infrastructure program with incremental funding. Such an incremental program would incent the development of infrastructure or technology that helps reduce fugitive and combustion emissions in the upstream, assist in the possible adaptation to changing environmental operating conditions or could be used for other environmental mitigation opportunities.

### ***Natural Gas***

The climate leadership plan should recognize the critical role that the Province can play in contributing to not only provincial and national but global emission reductions.

## **4. Regulatory Efficiencies**

CAPP would like to underscore the importance of maintaining the single window regulatory model. CAPP recommends that the Province could continue to look for opportunities to reduce red tape and GHG emissions at the same time.

CAPP anticipates further and deeper consultations with Government on the development of policies and regulation for the management of provincial greenhouse gas emissions.

## V CONCLUSION:

The Province appreciates the efforts CAPP has made to provide feedback and support to the development of a new Climate Action Plan. The Province will continue to consult with CAPP on the development of policies and regulation for the management of provincial greenhouse gas emissions and looks forward to continued opportunities for collaboration to advance mutual goals.

### APPROVED BY:

Richard Grieve, ED, PAR	<u>✓</u>
Ines Piccinino, ADM,	<u>✓</u>
UDD	
Dave Nikolejsin, DM	<u>✓</u>

Appendix

## *Appendix 1*

### **Tim McMillian Bio**

Tim McMillan resigned from the Saskatchewan Cabinet on September 18, 2014 and resigned as a Member of the Legislative Assembly effective September 30, 2014. Tim grew up on his family farm, 20 miles east of Lloydminster, where the McMillan family homesteaded more than 100 years ago.

Tim attended the University of Victoria where he received a degree in Economics. After his schooling, Tim travelled and worked abroad extensively. His travels have taken him from hiking to the Mount Everest Base Camp to diving on the Great Barrier Reef in Australia.

Tim is also a Microsoft Certified Systems Engineer and spent a year contracting as an IT professional in London, England. He then returned to his family farm to establish a business and raise his family. Prior to his election in 2007, Tim operated an oilfield service company. Tim was re-elected by his constituents in the 2011 provincial election. Tim has served as minister in a number of capacities for the Saskatchewan government, including

- trade,
- tourism, and
- energy and resources.

Before his resignation, Tim was the Minister Responsible for Rural and Remote Health. He and his wife Ali, have two daughters, Reilly and Gracie.





# OFFICE OF HOUSING AND CONSTRUCTION STANDARDS

## INFORMATION NOTE

**DATE:** September 4, 2015

**PREPARED FOR:** Honourable Rich Coleman, Minister

**ISSUE:** Minister of Housing's role in Emergency Response during a disaster.

**BACKGROUND:**

- The *Emergency Program Act* and associated regulations assigns duties to Ministries and government corporations in the event of an emergency.
- The Minister Responsible for Housing does not have any specific assignments in the regulations; however, BC Housing assists the Ministry of Social Development and Social Innovation (SDSI) to provide emergency shelter and lodging.
- If an emergency is declared, the Minister Responsible for Emergency Management can delegate or empower any Minister to take on any responsibility, so other responsibilities could be assigned to the Minister of Housing and/or BC Housing during disaster response.
- Emergency Management BC (EMBC) recently wrote a draft BC Earthquake Immediate Response Plan (IRP) that details the role that provincial crown corporations, crown agencies, and ministries would take during a catastrophic earthquake, including:
  - Ministry of Natural Gas will liaise with major agencies, boards and commissions with potential emergency management roles including Oil and Gas Commission, BC Housing Management Commission and BC Safety Authority (BCSA).
  - BC Housing will:
    - Provide rapid damage assessment training and implementation;
    - Establish and lead the building damage assessment branch at the provincial emergency operations center, and
    - Support Emergency Social Services (ESS) at the provincial emergency operations center, as well as with group lodging and by deploying provincial group housing stock.

## OFFICE OF HOUSING AND CONSTRUCTION STANDARDS INFORMATION NOTE

- BCSA will provide technical support including inspection services relating to the technical equipment and systems covered by the *Safety Standards Act* (SSA) (e.g., gas, electrical, elevating devices, boiler and pressure vessel technologies).

### **DISCUSSION:**

• s.12,s.14

• s.13

- In the planning process for the Immediate Response Plan, BCSA has identified important issues regarding technical safety after an earthquake, including:
  - Integrating BCSA with the 10 local governments with delegated authority under the SSA.
  - The types of technical expertise they can provide and their linkages with licensed contractors across the province,
  - Tracking permits issued quickly during an emergency, and
  - BCSA's reliance on a cost-recovery model and how to manage that when providing support to provincial emergency response operations during a disaster.
- The Ministry is currently investigating other roles the Ministry, BC Housing and BCSA may be required to play in a catastrophic event in order to develop plans and procedures.

### **CONCLUSION:**

During disaster response, the Minister Responsible for Housing will have responsibilities regarding BC Housing, BCSA, and potential ad-hoc duties.

#### **Prepared by:**

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Cliff#19762  
Version # 1  
Updated: September 4, 2015

#### **Reviewed by:**

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Office of Housing and  
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#### **Initial**

JV

#### **Date**

September 10, 2015

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# OFFICE OF HOUSING AND CONSTRUCTION STANDARDS INFORMATION NOTE

Dave Nikolejsin  
Deputy Minister  
Ministry of Natural Gas  
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DN Sept. 17/15