

## 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 and Deputy Premier.

**I ISSUE:** Meeting on December 9, 2015, with Andy Calitz, CEO of LNG Canada.

### II BACKGROUND:

- LNG Canada project overview – see appendix 2

#### Project Progress

- LNG Canada was issued their provincial environmental assessment certificate (EAC) and received federal environmental assessment approval in June of 2015.
- Key approvals currently under consideration include:
  - In June 2015, LNG Canada filed for a 40 year National Energy Board (NEB) licence for 26 mmtpa to replace 25 year licence obtained in 2013. The decision is expected to be made in early 2016.
  - In February 2015, LNG Canada applied for a Facility Permit with the OGC. The permit is currently under review by the OGC and a decision is anticipated in December 2015. The permit is required for pre-Final Investment Decision (FID) to support the projects early works program.
  - LNG Canada has two S. 35 *Fisheries Act* federal authorizations that are required in order to begin their early works in Q1 2016.
- Coastal GasLink pipeline regulatory approvals are closely linked to LNG Canada timelines. The OGC has issued required pipeline permits for seven of eight sections of the pipeline. The outstanding section of pipeline crosses Unist'ot'en traditional territory and has been delayed by the Unist'ot'en blockade.

### III DISCUSSION:

s.17

#### Project Development Agreement

- The Province is currently negotiating a Project Development Agreement (PDA) with LNG Canada. The major issues to date, including those not PDA topics, include:

○ s.17

○

○

### **First Nations Benefit Negotiations**

#### ***Upstream:***

- The Province is working with Treaty 8 First Nations in northeast British Columbia to complete Economic Benefit Agreements that provides certainty for upstream development.
- Agreements are in place with four of the Treaty 8 First Nations; another four nations are in advanced negotiations - \$72 million of benefits have already flowed to these First Nations.

#### ***Midstream:***

- s.17
- 
- 
- Coastal GasLink has been engaging with the Ministry of Forests, Lands and Natural Resource Operations, the EAO and OGC regarding potential next steps and options to resolve the blockade.
- In response to Aboriginal concern regarding impacts to the Morice River, Coastal GasLink has indicated that they plan on applying for an alternate pipeline route.
- Coastal GasLink has applied to amend their EAC and OGC permit to reflect the proposed route change.

### **Regulatory Progress**

- LNG Canada has identified a number of issues and risks to regulatory progress and project timelines. The current issues and risk include:

s.17

s.17

#### IV CONCLUSION:

- s.13,s.17
- The Province continues to negotiate the Project Development Agreement with LNG Canada  
s.17
- s.17
- 

**Appendix:** Appendix 1 - Biography-Andy Calitz, CEO of LNG Canada  
Appendix 2 - LNG Canada Project Overview  
Appendix 3 - LNG Canada Permitting and Authorization Status

**REVIEWED BY:**

Brian Hansen, ADM

**APPROVED BY:**

Dave Nikolejsin, DM ✓

### **Appendix 1 - Biography-Andy Calitz, CEO of LNG Canada**



**Andy Calitz – CEO of LNG Canada**

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

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

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

## Appendix 2 - LNG Canada Project Overview

Project Name:	LNG Canada
Location:	Kitimat – former Methanex site
Project Co-ordinates:	54.023482, -128.68652
Partners:	Shell (50%), KOGAS (15%), Mitsubishi (15%), PetroChina (20%)
Project Status:	FEED
Plant Type / Operation:	Greenfield plant; Integrated Project
Development Concept:	4 x 6.5 mmtpa trains
Output Capacity:	26 mmtpa
Feedstock Gas:	Montney, Horn River, and Cordova Embayment (Alberta)
Related Pipeline:	Coastal GasLink
Storage:	1 x 225,000 cm tank
CAPEX Estimate:	\$25-\$40 bn <sup>1</sup>
Jobs Estimate:	At peak construction the project is estimated to require 5,500 people The full build-out construction is expected to generate up to 20,000 person-years of employment During operation, the project will employ an estimated 200-400 people after full build-out
FID Date:	Expected Q1 2016
Announced Start Date:	2021
LNG Output Sales:	No announced offtake agreements
Export License:	25 year license issued for 24 mmtpa (plus 15% variance). On July 7, 2015 submitted application to NEB for 40 year licence at 26 mmtpa (plus 6.1% variance).
Environmental Assessment:	On June 17, 2015 provincial EA certificate was granted for the LNG Canada facility and the federal EA was approved.

<sup>1</sup> Executive Summary submitted with BC EAO





# LNG Canada Export Terminal

## Permitting and Authorization Status

Updated: December 7, 2015

### Activities in Previous Reporting Period

 s.17

-  TERMPOL report completed by Transport Canada and currently out for consultation with First Nations.
-  Export license extension submitted to NEB; Information Requests received; expecting decision in Jan/Feb 2016.

 s.17



### Planned Activities

 s.17



### Noted issues

 s.17





### Key Risks

 s.17



### Project At A Glance

Facility to process and export 24 million tons of liquefied natural gas per year.

#### Key Facility Milestones:

- Design 1<sup>st</sup> Quarter 2014
- FID: 1<sup>st</sup> Quarter 2016
- Early Works: 1<sup>st</sup> Quarter 2016
- Construction: 1<sup>st</sup> Quarter 2016
- Operation: 2<sup>nd</sup> Quarter 2021

#### Related Pipeline Milestone

- Operation: 4<sup>th</sup> Quarter 2020

#### Key Permits and Authorization Approved

- NEB Export – Feb 4, 2013
- EA/CEAA – June 17, 2015
- Disposal at Sea Permit – Nov 12, 2015

### Key Permits and Authorizations in Progress

Permit	Submitted	Anticipated
NEB licence extension (40years)	June 2015	Early 2016
LNG Facility Permit	Feb 6/15	Dec 2015

s.17



## 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 and Deputy Premier.

**I ISSUE:** Meeting with Andy Calitz, CEO of LNG Canada.

#### **II BACKGROUND:**

- The Minister last met with Mr. Calitz on December 9, 2015.
- LNG Canada project overview – see appendix 2.

#### **Project Progress**

- LNG Canada was issued their provincial environmental assessment certificate (EAC) and received federal environmental assessment approval in June of 2015.
- Key approvals recently received include:
  - LNG Facility Permit issued by the OGC on December 22, 2015.
  - 40 year National Energy Board (NEB) export licence granted on January 7, 2016.
- LNG Canada has two S. 35 *Fisheries Act* federal authorizations that are required in order to begin their early works in Q1 2016.
- Coastal GasLink pipeline regulatory approvals are closely linked to LNG Canada timelines. The OGC has issued required pipeline permits for seven of eight sections of the pipeline. The outstanding section of pipeline, along with the Kitimat Meter Station, are the subject of discussions between Coastal GasLink, LNG Canada, and the Haisla Nation

#### **III DISCUSSION:**

s.17

s.17

**Project Development Agreement**

- The Province is currently negotiating a Project Development Agreement (PDA) with LNG Canada. The major issues to date include:
  - s.17

○

○

○

○

○

○



## **First Nations Benefit Negotiations**

### ***Upstream:***

- The Province is working with Treaty 8 First Nations in northeast British Columbia to complete Economic Benefit Agreements that provides certainty for upstream development.
- Agreements are in place with five of the Treaty 8 First Nations (three of these agreements have been not publicly announced); one other First Nation (Blueberry) is in advanced negotiations - \$72 million of benefits have already flowed to these First Nations.

### ***Midstream:***

- s.17
  - 
  - Minister Rustad met with Warner Williams (Unist'ot'en House Chief) at the end of January to explore a consultation process understanding and open lines of communication. Further meetings are planned with the Minister.
  - In response to Aboriginal concern regarding impacts to the Morice River, Coastal GasLink applied to the EAO and OGC to amend their EAC and pipeline permit in November 2015 to reflect an alternate route. s.17
- s.17

## **Regulatory Progress**

- LNG Canada has identified a number of issues and risks to regulatory progress and project timelines. The current issues and risk include:

s.17

s.17

### **Provincial Permits**

s.17

## **IV CONCLUSION:**

- s.13,s.17
- The Province continues to negotiate the Project Development Agreement with LNG Canada  
s.17
- 
- 

**Appendix:** Appendix 1 - Biography-Andy Calitz, CEO of LNG Canada  
Appendix 2 - LNG Canada Project Overview

### **REVIEWED BY:**

Brian Hansen, ADM ✓

### **APPROVED BY:**

Dave Nikolejsin, DM✓

### **Appendix 1 - Biography-Andy Calitz, CEO of LNG Canada**



**Andy Calitz – CEO of LNG Canada**

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

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

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

## Appendix 2 - LNG Canada Project Overview

Project Name:	LNG Canada
Location:	Kitimat – former Methanex site
Project Co-ordinates:	54.023482, -128.68652
Partners:	Shell (50%), KOGAS (15%), Mitsubishi (15%), PetroChina (20%)
Project Status:	FEED
Plant Type / Operation:	Greenfield plant; Integrated Project
Development Concept:	4 x 6.5 mmtpa trains
Output Capacity:	26 mmtpa
Feedstock Gas:	Montney, Horn River, and Cordova Embayment (Alberta)
Related Pipeline:	Coastal GasLink
Storage:	1 x 225,000 cm tank
CAPEX Estimate:	\$25-\$40 bn <sup>1</sup>
Jobs Estimate:	At peak construction the project is estimated to require 5,500 people The full build-out construction is expected to generate up to 20,000 person-years of employment During operation, the project will employ an estimated 200-400 people after full build-out
FID Date:	Expected Q1 2016
Announced Start Date:	2021
LNG Output Sales:	No announced offtake agreements
Export License:	25 year license issued for 24 mmtpa (plus 15% variance). On July 7, 2015 submitted application to NEB for 40 year licence at 26 mmtpa (plus 6.1% variance).
Environmental Assessment:	On June 17, 2015 provincial EA certificate was granted for the LNG Canada facility and the federal EA was approved.

<sup>1</sup> Executive Summary submitted with BC EAO



**MINISTRY OF NATURAL GAS DEVELOPMENT  
BRIEFING NOTE**

**DATE:** February 12, 2016

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

**ISSUE:** Liquefied Natural Gas Environmental Stewardship Initiative (LNG ESI) endorsement of the Letter of Understanding .

**BACKGROUND:** The LNG ESI is a new form of collaboration involving the Province of British Columbia, and First Nations (the Parties) with participation from natural gas industry proponents and other stakeholders as required. The initiative is intended to build relationships between the three parties and potentially other partners through the cooperative development of demonstration projects that can be used by all parties to support future resource management.

Four Regional Stewardship Forums (RSF) have been established in the Northeast, Omineca, Skeena and the North Coast. The RSFs are responsible for proceeding with the development and implementation of demonstration projects that fall within one of the four themes of the LNG ESI; Ecosystem assessment and monitoring, restoration and reclamation, research and knowledge and education and training.

The Province committed \$30M to support the LNG ESI. An initial allocation of funding of \$1M to each of the RSFs was endorsed to facilitate the development of projects as well as the development of work plans and budgets. It is expected that unspent funds will be carried over to the next fiscal year.

**DISCUSSION:** The first North Coast RSF was held in Prince Rupert in November 2015. A draft Letter Of Understanding (LOU) was tabled and with joint modifications from members the LOU was endorsed at the most recent meeting in Terrace in January 2016. The ADM Committee that provides leadership and oversight for the LNG ESI endorsed the LOU in January 2016.

The LOU sets out a framework for First Nations and the Province to engage on the LNG ESI. It signals Parties' commitment to participate in the North Coast RSF and provides the governance required to implement the LNG ESI in the region. The LOU is an enabling agreement; the group will subsequently develop Demonstration Project Agreements that will outline the shared interests and activities to be funded through the LNG ESI. The LOU does not make any commitments as regarding funding or project scope or outcomes.

To date the North Coast RSF has had participation from seven First Nations (Kitselas, Kitsumkalum, Gitga'at, Lax Kw'alaams, Metlakatla, Haisla and Nisga'a) and has consisted of bilateral meetings between the Province and First Nations. Industry and federal representatives will be invited to future RSF meetings once the LOU is complete.



Participants have committed to providing signatures from leadership (Chiefs and the Minister of Natural Gas Development); to date the Province has received four signatures from Gitga'at, Haisla, Kitsumkalum and Metlakatla.

## **OPTIONS:**

### **Option 1: Endorse the LOU**

#### **Implications:**

- Sets the framework for participants to move forward in developing Demonstration Project Agreements specific to the North Coast RSF.
- Allows near-term inclusion of industry and federal representatives to the RSF discussions.

### **Option 2: Do not endorse the LOU**

#### **Implications:**

- Creates a lack of governance framework for collaboration on demonstration projects.
- Slows the progress of the LNG ESI outcomes in the North Coast region.

**RECOMMENDATION: Option 1: Endorse the LOU.**

## **NEXT STEPS:**

Seek the signature of Minister of Natural Gas Development on the letter while additional signatures are also being sought from the other chiefs who have not yet signed it.

## **APPROVED / NOT APPROVED**



Honourable Rich Coleman  
Minister of Natural Gas Development

FEB 25 2016

Date

#### **Contact:**

*Gary Reay*  
Executive Director  
Deputy Ministers Office  
250-751-7007

#### **Alternate Contact:**

*Emmy Humber*  
Senior Program Analyst  
LNG ESI Task Force  
250-217-0874

#### **Prepared by:**

*Brittany Morgan*  
Program Analyst  
LNG ESI Task Force  
778-677-0202

## Letter of Understanding:

### LNG ESI North Coast Regional Stewardship Forum

The LNG Environmental Stewardship Initiative (LNG ESI) is a collaborative initiative among the Province of British Columbia, and First Nations with the participation from industry proponents. The provision of this Letter of Understanding (LOU) is without prejudice to First Nations' treaty negotiations, Aboriginal rights or Aboriginal title. Nothing in this Letter of Understanding replaces the Federal or Provincial government's (the Crown) or the proponent's (LNG industry participants) legal duty to consult and accommodate. The initiative is intended to build relationships among these groups, and potentially other partners, through the cooperative development of projects on:

- ecosystem assessment and monitoring;
- ecosystem restoration and enhancement;
- ecosystem research and knowledge exchange; and
- stewardship education and training.


This Letter of Understanding sets out that First Nations and the Province (the Parties) agree to develop and carry out the LNG ESI on the North Coast by pursuing the following objectives:

1. establishing a Regional Stewardship Forum (RSF) that:
  - a. Brings representatives from First Nations and the Province together with other partners including industry (gas pipelines and LNG facility) representatives and other governments, such as the Federal Government;
  - b. Provides a venue to oversee the development and implementation of environmental projects, exchange information, and monitor the implementation of the LNG ESI program on a regional level; and,
2. developing one or more demonstration projects for implementation in the short term that:
  - a. addresses issues of common concern while demonstrating the value of collaborative action; and
  - b. generate trusted information that reflects both western science and traditional knowledge that can be used to inform future resource management.

The Parties agree to adhere to a set of collaboration principles that include the following:

- engage with each other on the basis of peoples' interests in a respectful, meaningful and collaborative manner;
- develop a governance structure and an enabling Terms of Reference for the RSF;
- oversee the development and implementation of environmental projects and project teams within the North Coast region;
- contribute towards an enhanced government-to-government relationship among the Parties;
- ensure that the development of the RSF and environmental projects do not duplicate the work of other initiatives;
- support the recommendations which emerge from the environmental projects that are developed collaboratively;
- meet as required, in person, on the phone or online in order to expedite implementation of the ESI on the North Coast;
- provide lines of communication to your leadership and constituents to ensure transparency, accountability and the required support for the implementation of the ESI.

The Parties acknowledge that this LOU is intended only to facilitate implementation of the LNG ESI on the North Coast, and that it does not, and will not, constitute a legally binding agreement or create any legal rights or obligations among them.

Honourable Rich Coleman (Ministry of Natural Gas Development)	
Chief Don Roberts (Kitsumkalum First Nation)	Countersigned
Chief Councillor Ellis Ross (Haisla First Nation)	Countersigned
Chief Harold Leighton (Metlakatla First Nation)	Countersigned
Chief Joe Bevan (Kitselas First Nation)	Countersigned
Chief Clifford White (Gitxaala First Nation)	

Chief Arnold Clifton (Gitga'at First Nation)	Countersigned
Chief John Helin (Lax Kw'alaams First Nation)	
President H. Mitchell Stevens (Nisga'a Lisims Government)	