

## ISSUE NOTE

### Issue:

- Kinder Morgan's Trans Mountain Pipeline Expansion Project – Management of Construction

### Background:

- May 19, 2016, the National Energy Board (NEB) recommended to the federal government that the Trans Mountain Pipeline Expansion Project (Project) be approved, subject to 157 conditions. November 29, 2016 the Federal government announced its approval.
- January 11, 2017 British Columbia (B.C.) announced that an Environmental Assessment Certificate (EAC) with an additional 37 conditions had been issued to Trans Mountain Pipeline ULC (TMP). These conditions respond to concerns raised by Aboriginal groups during consultation and address key areas of provincial jurisdiction and interest such as: vegetation and wildlife, parks and protected areas, and greenhouse gas emissions.
- January 11, 2017 B.C. confirmed TMP had successfully addressed B.C.'s Five Conditions.
  1. Successful completion of the environmental review process.
  2. World-leading marine oil spill response, prevention and recovery systems for B.C.'s coastline and ocean.
  3. World-leading practices for land oil spill prevention, response and recovery systems.
  4. Legal requirements are addressed for treaty rights and First Nations are provided with the opportunities, information and resources necessary to participate in and benefit from a heavy-oil project.
  5. B.C. receives a fair share of the fiscal and economic benefits that reflects the level, degree and nature of the risk borne by the province, the environment and taxpayers.
- In the negotiation of the fifth condition B.C. achieved an unprecedented agreement with Kinder Morgan (KM) to receive a significant investment worth up to \$1 billion over 20 years. KM will pay the Province between \$25 million to \$50 million annually for the first 20 years, with a requirement for an agreement to be in place for as long as the pipeline is operating.
- Kinder Morgan Canada is looking to raise \$1.75 billion through an initial public offering (IPO) of assets including the TMP Project. In the updated prospectus filed on May 10, 2017, the company is looking to sell shares between \$19 and \$22 to help fund the \$7.4 billion Project, rather than using a joint venture. The Kinder Morgan Canada Ltd. Partnership would hold both the Trans Mountain pipeline and the expansion Project, the Puget Sound pipeline system in Washington State, a condensate pipeline, along with storage and terminals along the pipeline routes. Houston based Kinder Morgan would hold a majority share, with as much as a 77 percent interest in the entity. The IPO closes the week of May 29, 2017.
- Kinder Morgan is expected to make a final investment decision end of May 2017 or the first two weeks of June 2017.

- TMP plans to begin work on the Westridge Marine Terminal in August with pipeline construction to commence in September 2017 and be completed within one year. While the Project falls under NEB jurisdiction, it must acquire necessary Provincial permits. To expedite permits in an efficient manner, B.C., through the Agreement, agreed to establish a Project Office with a Project Executive Lead to work with line agencies to address First Nations consultations, permitting concerns and general issues. Permitting delays have a fiscal impact on TMP.
- The Project Office rests within the Ministry of Natural Gas Development (MNGD) s.13, s.13,s.16

- Government Communication and Public Engagement (GCPE) participates as does the Legal Services Branch (LSB). s.13  
s.13

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**Decision required:**

- s.13
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- January 11, 2017 B.C. confirmed TMP had successfully addressed B.C.'s Five Conditions.
  1. Successful completion of the environmental review process.
  2. World-leading marine oil spill response, prevention and recovery systems for B.C.'s coastline and ocean.
  3. World-leading practices for land oil spill prevention, response and recovery systems.
  4. Legal requirements are addressed for treaty rights and First Nations are provided with the opportunities, information and resources necessary to participate in and benefit from a heavy-oil project.
  5. B.C. receives a fair share of the fiscal and economic benefits that reflects the level, degree and nature of the risk borne by the province, the environment and taxpayers.
- In the negotiation of the fifth condition B.C. negotiated a significant investment worth up to \$1 billion over 20 years. KM will pay the Province between \$25 million to \$50 million annually for the first 20 years, with a requirement for an agreement to be in place for as long as the pipeline is operating.
- Kinder Morgan Canada has raised \$1.75 billion through an initial public offering (IPO) of assets including the TMP Project. The Kinder Morgan Canada Ltd. Partnership will hold both the Trans Mountain pipeline and the expansion Project, the Puget Sound pipeline system in Washington State, a condensate pipeline, along with storage and terminals along the pipeline routes. Houston based Kinder Morgan would hold a majority share, with as much as a 77 percent interest in the entity.
- Kinder Morgan made a final investment decision on May 30, 2017.
- TMP plans to begin work on the Westridge Marine Terminal in August with pipeline construction to commence in September 2017 and be completed within one year. While the Project falls under NEB jurisdiction, it must acquire necessary Provincial permits. To expedite permits in an efficient manner, B.C., through the Agreement, agreed to establish a Project Office with a Project Executive Lead to work with line agencies to

address First Nations consultations, permitting concerns and general issues.

- The Project Office rests within the Ministry of Natural Gas Development (MNGD) s.13, s.16

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s.13

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**Decision required:**

- s.13
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## Brown, Taylor PREM:EX

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**From:** Sweeney, Neil PREM:EX  
**Sent:** Monday, June 26, 2017 2:37 PM  
**To:** Brown, Taylor PREM:EX  
**Subject:** FW: BC Benefits (cabinet confidential)  
**Attachments:** TMP Benefits to BC.docx; ATT00001.txt

For the Kinder Morgan FOI

-----Original Message-----

**From:** Mihlar, Fazil ENV:EX  
**Sent:** Monday, May 15, 2017 4:58 PM  
**To:** Henderson, Kim N PREM:EX; Sweeney, Neil PREM:EX; Nikolejsin, Dave MNGD:EX; Carr, Steve PREM:EX  
**Subject:** KM: BC Benefits (cabinet confidential)

Hi Kim: This doc captures the enhanced safety and economic benefits for BC. I will have the <sup>s.14</sup>  
s.14 spill prevention and response capacity, economic benefits and  
the Pan Canadian Framework on climate change that we discussed this morning on Tues afternoon.

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Withheld pursuant to/removed as

s.12;s.13