

Confidential Issues Note - ADVICE TO MINISTER

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| Ministry of Indigenous Relations and Reconciliation Date: Sept. 20, 2017 Minister Responsible: Hon. Scott Fraser | LNG Canada Delay on Final Investment Decision |
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RECOMMENDED RESPONSE:

s.13,s.16

- While there is no guarantee that a specific pipeline or facility will be built, entering into these agreements with First Nations is part of our commitment to ensure First Nations are partners and benefit from LNG development.
- The Province will continue to work with First Nations and proponents to ensure indigenous communities are partners in these proposals and benefit from resource development opportunities.

s.13,s.16

SECONDARY MESSAGES/FIRST NATIONS:

- Collectively, we've done everything we can to provide the right conditions for the facility and the Coastal GasLink natural-gas pipeline.
- Government remains committed to the agreements we have in place with First Nations and to delivering benefits from the \$30-million skills training fund and the \$30-million Environmental Stewardship Initiative.
- When the time comes, the approach will continue to be ensuring First Nations communities benefit from the jobs, business opportunities, increased revenue and environmental stewardship roles that this project will bring.

GOVERNMENT SUPPORT FOR LNG DEVELOPMENT:

- British Columbia's new government supports LNG development, with four conditions:
 - LNG projects must offer jobs and training for British Columbians, especially jobs for local people.

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- **The people of B.C. must get a fair return for our resources.**
- **LNG projects must secure full partnerships with local First Nations.**
- **LNG projects must complete a made-in-B.C. environmental assessment and respect our commitments to combating climate change.**

KEY FACTS:

- In September 2017, LNG Canada CEO Andy Calitz reaffirmed their commitment to build a \$40-billion export terminal in Kitimat (*The Globe and Mail*, Sept. 20). At the same time, the National Energy Board approved the Royal Dutch Shell PLC-led consortium's request to extend the deadline for when exports must start to Dec. 31, 2027, instead of the end of 2022.
- Analysts expect an announcement on the terminal in the second half of 2018 after Shell and its partners make a decision on a final investment. Once construction begins, it is expected it will take five years to have the terminal ready for exports.
- In 2016, Shell announced that the LNG Canada joint venture participants – Shell, PetroChina, Mitsubishi Corporation and Kogas – had decided to delay a final investment decision (FID) on the LNG Canada project that was planned for the end of 2016. This timeline was subsequently extended until “the global energy market conditions improve and the project has demonstrated that it remains cost competitive against other investment opportunities.”
- Former Haisla Chief Ellis Ross described the decision as an extreme disappointment. “This was our first chance as Haisla to be a part of the economy, to be part of the wealth distribution in our area,” Ross told CBC Radio.
- B.C. has paid \$4.5 million to First Nations in signing bonuses for the Coastal GasLink project. s.16,s.17 s.16,s.17
- Coastal GasLink hosted a reception for all First Nations associated with the natural gas pipeline associated with the LNG Canada facility, during the B.C. Cabinet and First Nations Leaders’ Gathering. LNG Canada representatives, as well as representatives from MIRR and MEMPR have also been invited to this reception.
- The Coastal GasLink Pipeline is a 670-kilometre natural-gas pipeline from the Dawson Creek area to the proposed LNG Canada facility near Kitimat. The Province has reached natural gas pipeline benefits agreements with 17 of the 20 First Nations along the proposed pipeline route.
- LNG Canada is a joint venture company comprised of Shell Canada Energy (50%), an affiliate of Royal Dutch Shell plc, and affiliates of PetroChina (20%), Korea Gas Corporation (15%) and Mitsubishi Corporation (15%). The joint venture is proposing to build an LNG export facility in Kitimat that initially consists of two LNG processing units referred to as “trains,” each with the capacity to produce 6.5 million tonnes of LNG annually, with an option to expand the project in the future to four trains.

Communications Contact:

Cale Cowan

Program Area Contact:

Giovanni Puggioni

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| Ministry of Indigenous Relations and Reconciliation Date: Sept. 28, 2017 Minister Responsible: Hon. Scott Fraser | LNG – First Nations |
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RECOMMENDED RESPONSE:

s.13,s.16

- While there is no guarantee that a specific pipeline or facility will be built, we plan to maintain all of our commitments to Indigenous communities with signed agreements.
- The Province will continue to work with First Nations and proponents to ensure Indigenous communities are partners in these proposals and continue to benefit from resource development opportunities.

s.13,s.16

GOVERNMENT SUPPORT FOR LNG DEVELOPMENT:

- British Columbia's new government supports LNG development, with four conditions:
 - LNG projects must offer jobs and training for British Columbians, especially jobs for local people.
 - The people of B.C. must get a fair return for our resources.
 - LNG projects must secure full partnerships with local First Nations.
 - LNG projects must complete a made-in-B.C. environmental assessment and respect our commitments to combating climate change.

KEY FACTS:

- The Province is applying a three-pillar approach to ensure First Nation communities can participate and benefit from B.C.'s LNG opportunity: providing financial benefits that encourage financial growth in First Nation communities; enhancing environmental stewardship opportunities and land management; and, offering skills training so First Nation members can access employment and training opportunities.
- Here are the overall Pipeline Benefits Agreements B.C. has with First Nations for four pipeline projects:

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| PROJECT | Signing bonus \$M (paid) | s.16,s.17 |
|---|-----------------------------|-----------|
| Coastal GasLink | \$4.5 | |
| PRGT | \$4.6 | |
| Westcoast Connector Gas Transmission | \$1.6 | |
| Pacific Trail Pipeline | \$3.0 | |
| TOTAL | \$13.7 | |

- To date, 25 First Nations have received approximately \$13.7 million in payments, provided through 46 natural-gas Pipeline Benefits Agreements that are in effect with British Columbia. Another 18 natural-gas Pipeline Benefits Agreements are signed with First Nations but not in effect (for 64 total). These payments ensure that First Nations and their communities benefit from B.C.'s LNG opportunity.
- Total benefits paid out to First Nations on all pipeline and facilities agreements: \$43.9 million (\$30.2 million plus \$13.7 million).

LNG DEVELOPMENT:

- B.C. has invited Indigenous leaders affected by LNG-related development to meet in fall 2017 for discussions. The Ministry of Energy, Mines and Petroleum Resources is partnering with the First Nations LNG Alliance to facilitate the discussions. Meetings will be held in Prince George (Sept. 27), Smithers (Oct. 2), Fort St. John (Oct. 16), Vancouver (Oct. 25), and Terrace (Oct. 26). Recommendations from the consultations will be made to government by Dec. 31, 2017. The fall 2017 review of the LNG sector will include First Nations, industry, the federal government, and communities.
- The goal is to discuss First Nations' insights into the emerging LNG industry and what we could do together to enhance the prospects of developing an LNG industry in British Columbia. A similar engagement is also occurring with LNG proponents in an effort to understand their views
- On July 25, 2017, Petronas and its partners announced the cancellation of the proposed PNW LNG facility near Prince Rupert. On Sept. 14, 2017, Aurora LNG cancelled plans with Calgary-based Nexen to build an LNG plant on Digby Island in northwestern B.C. This proposed facility was part of the revenue-sharing agreements with the Metlakatla and Lax Kw'alaams First Nations. Both were export facilities included in the benefits agreements with Lax Kw'alaams, Metlakatla, Kitselas, and Gitga'a First Nations.
- The Coastal GasLink (TransCanada) pipeline project will service LNG Canada in Kitimat and is still under consideration. The Prince Rupert Gas Transmission Line (TransCanada) and the West Coast Connector Gas Transmission (Enbridge) project no longer have a client.
- On May 17, 2017, the Huu-ay-aht First Nation announced a \$3-million acquisition of three privately owned properties at Sarita Bay from Western Forest Products. The First Nation plans to use the newly acquired properties for the proposed liquefied natural gas project.
- The Huu-ay-aht First Nation announced in March, 2017, that a majority of its members had voted in favour of supporting the Steelhead LNG export facility project at Sarita Bay, near Bamfield. The company plans to make a FID on Sarita Bay by 2019 or 2020, with the first production potentially targeted for 2024.
- In February, 2017, the B.C. government announced LNG export facilities agreements with the Lax Kw'alaams Band and Metlakatla First Nation for potential export facilities in the Prince Rupert and Kitimat areas. In March 2017, the Kitselas and Gitga'at First Nations also entered into LNG benefits agreements for potential LNG export facilities in the same areas.
- The Province has negotiated economic benefit agreements with more than 40 First Nations for LNG-related infrastructure and activity, including for proposed LNG facilities and shipping (downstream), along proposed natural gas pipelines (midstream), and in recovery of natural gas from oil and gas fields (upstream).
- Some of the benefits agreements were designed to be brought in as parts of larger government-to-

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government and reconciliation agreements, while others are stand-alone benefits agreements.

- Midstream, the Province has benefits agreements with nearly every First Nation along the LNG pipeline corridor in the north. A total of 64 pipeline benefits agreements have been signed with 29 of 32 First Nations (more than 90%) for four proposed natural gas pipeline projects: Pacific Trail Pipeline (PTP) (Chevron), Prince Rupert Gas Transmission (PRGT) (TransCanada), Coastal GasLink (CGL) (TransCanada), and Westcoast Connector Gas Transmission (WCGT) (Spectra).
- First Nations that sign pipeline benefits agreements receive one-time signing payments, one-time benefits at the start of construction and again at the start of pipeline operation. The initial payment is made once the effective date of the agreement is triggered by the First Nation.
- B.C. will provide a share of \$10M to First Nations annually for as long as a project is in service on each of the three new pipeline project proposals and for Pacific Trail Pipeline.
- There is one agreement for Pacific Trail Pipeline (signed in 2009) with a group of 16 First Nations that are represented by the First Nations Limited Partnership (PTP). Moricetown Band was the last to join in January 2015. Each of the 16 First Nations also has a “partnership agreement” with B.C. for PTP. \$32M will be provided to First Nations affected by Chevron’s Pacific Trail Pipeline project that would be built to deliver gas to the proposed Kitimat LNG site on the northwest coast.
- On the South Coast, the Province has been negotiating agreements with Squamish Nation for benefits related to the proposed Woodfibre LNG facility and associated Eagle Mountain Pipeline expansion. The Province has also planned to further negotiate benefit offers with three other Lower Mainland nations for the proposed pipeline.
- B.C. has also completed several revenue-sharing agreements, with the Metlakatla and Lax Kw’alaams First Nations, related to Sole Proponent Agreements with Aurora LNG and Woodside regarding Crown land development.

Communications contact: Cale Cowan

Program area contact: Giovanni Puggioni

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| Ministry of Indigenous Relations and Reconciliation Date: Aug. 30, 2017 Minister Responsible: Hon. Scott Fraser | PNW LNG Project - Cancellation |
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RECOMMENDED RESPONSE, PNW LNG CANCELLATION:

- **Pacific NorthWest LNG was very clear when they cancelled their project: the conditions of the marketplace made the facility uneconomical at this time.**
- **Petronas and its subsidiary Progress Energy remain in Canada and continue their upstream operations in northeastern B.C.**
- **We have multiple LNG proposals still on the table in British Columbia, demonstrating a continued interest in our province's export potential.**

FIRST NATIONS AND LNG-RELATED BENEFITS AGREEMENTS:

s.13,s.16

- **While there is no guarantee that a specific pipeline or facility will be built, entering into these agreements with First Nations is part of our commitment to ensure First Nations are partners in, and benefit from LNG development.**
- **Many Indigenous leaders have expressed public disappointment with the project being cancelled and the opportunities that communities may not realize.**
- **The Province will continue to work with First Nations and proponents to ensure indigenous communities are partners in these proposals and continue to benefit from resource development opportunities.**

GOVERNMENT SUPPORT FOR LNG DEVELOPMENT:

- **British Columbia's new government supports LNG development, with four conditions:**
 1. **LNG projects must offer jobs and training for British Columbians, especially jobs for local people.**
 2. **The people of B.C. must get a fair return for our resources.**
 3. **LNG projects must secure full partnerships with local First Nations.**
 4. **LNG projects must complete a made-in-B.C. environmental assessment and respect our commitments to combating climate change.**

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KEY FACTS:

- On July 25, 2017, Malaysian national energy company Petronas and its partners announced the cancellation of the proposed Pacific NorthWest LNG project near Prince Rupert. Pacific NorthWest LNG said the decision to cancel the \$36-billion project was made after “a careful and total review of the project amid changes in market conditions.”
- In February 2017, the B.C. government announced LNG export facilities agreements with the Lax Kw’alaams Band and Metlakatla First Nation for potential export facilities in the Prince Rupert and Kitimat areas. In March 2017, Kitselas and Gitga’at First Nations also entered into LNG benefits agreements for potential LNG export facilities in the same areas. Negotiations were underway with Kitsumkalum and Gitxaala.
- Benefits provided to First Nations through these agreements are not just for PNW LNG, but multiple facilities – in most cases, PNW LNG and as many as four of other projects within a specified geographic area.
- Facilities agreements payments with Lax Kw’alaams, Metlakatla, Kitselas, and Giga’at are as follows:

| First Nation | LNG Facility Agreements*** | |
|---|----------------------------|--------------------------------|
| | LNG Facilities-cash (\$M) | LNG Facilities-land (hectares) |
| Lax Kw’alaams* (covers PNW LNG plus four other LNG projects in the area) | \$3.0 | 37.5 |
| Metlakatla** (covers PNW LNG plus four other LNG projects in the area)* | \$26.0 | 174 |
| Kitselas (covers PNW LNG, LNG Canada, Kitimat LNG plus four other LNG projects in the area) | \$1.2 | 25 |
| Gitga’at (covers LNG projects in the Prince Rupert and Kitimat area) | \$0.0 | 2.3 |
| Total | \$30.2 | 239 |

* Does not include 60 hectares of joint land of Metlakatla and Lax Kw’alaams.

**Includes up to \$17.5M for seniors facility and \$3.5M for shellfish aquaculture.

*** These benefits are either provided or the First Nations are eligible to receive even if no Final Investment Decision.

- Pipeline Benefit Agreements with the B.C. government have delivered \$4.6 million in benefits to First Nations for the proposed Prince Rupert Natural Gas Transmission (PRGT) pipeline project, which was being developed to feed natural gas to PNW LNG. An additional \$1.6 Million in benefits been committed to First Nations along PRGT through signed agreements which are not yet in effect.
- In addition to benefits agreements, the Province committed funding to support skills and training and collaborative environmental stewardship projects with First Nations.

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Reaction from TransCanada and the Prince Rupert Gas Transmission pipeline project

- **The following is a statement from TransCanada's executive vice-president and president Karl Johansson on the cancellation of the PNW LNG project by Petronas:**
- "With this news, we are reviewing our options related to our proposed Prince Rupert Gas Transmission (PRGT) project as we continue to focus on our significant investments in new and existing natural gas infrastructure to meet our customers' needs.
- As part of our agreement with PETRONAS affiliate Progress Energy, following receipt of a termination notice, TransCanada would be reimbursed for the full costs and carrying charges incurred to advance the PRGT project. We expect to receive this payment in 2017.
- We are proud of the work we have done along the PRGT route, which has allowed us to sign 14 Project Agreements with First Nations and secure the key regulatory approvals and permits. We have built strong new relationships and we look forward to continuing our strong partnerships with First Nations and communities in B.C. as we develop other natural gas assets, including our North Montney Mainline project. This important project is backed by independent 20-year commercial service agreements with 11 shippers (including Progress Energy), and pending regulatory approvals, we remain ready to move forward.
- There is still a strong need for Canadian natural gas supplies to get to market, and the infrastructure we are building in Alberta and British Columbia – including recently announced multibillion-dollar investments in our NGTL system and North Montney Mainline – are designed to help move natural gas supplies to markets where they are needed."

Communications Contact: Cale Cowan
Program Area Contact(s): Rachel Shaw

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable John Horgan, Premier of British Columbia,
Honourable Michelle Mungall, Minister of Energy,
Mines and Petroleum Resources

II ISSUE: Kitimat LNG Project Update

III BACKGROUND:

Company Profiles

Chevron Corporation

- Chevron Corporation (Chevron) is an American multinational energy corporation. The company is active in over 180 countries, covering every aspect of exploring, developing, producing, and marketing oil, gas, and geothermal energy.
- In Canada, Chevron operates through Chevron Canada Resources and Chevron Canada Ltd. (Chevron Canada) operating for more than 80 years in Newfoundland and Labrador, Northwest Territories, Alberta, and BC.
- Headquartered in Vancouver, Chevron Canada's downstream office is considered one of the major oil companies operating on the west coast, employing over 350 people.
- Chevron Canada and Australia's Woodside Petroleum Ltd. (Woodside) are co-venture partners in the proposed Kitimat LNG (KLNG) project in northeastern BC with each partner holding 50 percent of the project.

Woodside Petroleum Ltd.

- Woodside is Australia's largest petroleum exploration and production company involved in both Australian and international liquefied natural gas (LNG) projects.
- In addition to KLNG, Woodside is a 100 percent owner in proposed Grassy Point LNG project near Prince Rupert.

Proposed Export Project – KLNG

- KLNG is proposing to build an LNG facility and marine terminal at Bish Cove near Kitimat. During the first phase, the facility is expected to export around 13 million tonnes per annum (MTPA)^{s.13,s.16}
s.13,s.16
- On April 10, 2015, Woodside successfully completed the acquisition of Apache's portion of the KLNG project for a purchase price of US\$854 million.
- KLNG received its Environmental Certificate from the province in 2006 and obtained a 20-year export license from the National Energy Board in 2011.

- The project will source gas from the Horn River and Liard shale basin in northeastern BC. After extraction, natural gas will be transported to the facility via a third party pipeline and the proposed Pacific Trail Pipeline (PTP).
- 16 First Nations located along the proposed PTP have joined together through the First Nations Limited Partnership to support the development of the natural gas pipeline for the KLNG project.
- At peak construction, Chevron Canada and Woodside expect to create nearly 3,000 jobs in BC.
- In January 2014, Chevron awarded an engineering, procurement and construction contract to a joint venture between JGC and Fluor, a part of which includes the completion of the front end engineering design (FEED) work started in 2011.
- Since 2014, KLNG has moved backwards on their timeline in order to work on driving costs down. A new FEED decision is expected by the end of 2018.
- Technical progress was made to reduce both upstream and downstream costs. KLNG is currently assessing the use of e-drives versus gas turbines and other measure to improve efficiencies and greenhouse gas emissions.

IV DISCUSSION:

- Although the project has made significant progress in reducing unit costs, further reduction in unit cost are needed to be competitive with “best in class” global LNG projects and in order to reach a positive final investment decision.

s.13,s.16

- Representatives from KLNG made a presentation to Kitimat council where they stated that construction could begin by 2020 and the project would require between four and five years to build.

V CONCLUSION:

- KLNG achieved cost reductions to-date and is moving forward to update their concept design.

s.13,s.16

DRAFTED BY:
Shauna Sundher, Senior
Project and Policy Analyst

APPROVED BY:
Suzanne Manahan, A/ADM✓
Ines Piccinino, A/DM✓

Appendix A: Kitimat LNG Project Fact Sheet

LNG Project Fact Sheet

KITIMAT LNG

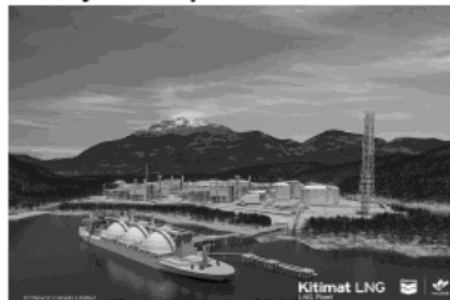
October 2017

Recent Announcements

Dec 21, 2016 The EAO ruled that the Pacific Trail Pipeline project has been "substantially started" and that the environmental assessment certificate will remain in effect for the life of the project.

Dec 5, 2016 Representatives from Kitimat LNG made a presentation to Kitimat council, where they stated that construction could begin by 2020 and that the project would require between four and five years to be built.

Facility Concept



Major Permits and Authorizations

| | |
|---|---------------------------|
| Export License: | 20-year license issued |
| Provincial Environmental Assessment Status: | EAC issued January 2009 |
| Federal Environmental Assessment Status: | EADS issued December 2008 |
| LNG Facility Permit: | Pre-application phase |

Summary Table

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|-------------------------------|--|
| Shareholders: | Chevron (50%), Woodside (50%) |
| Facility Type: | Liquefied Natural Gas Facility and Marine Terminal |
| Location: | Bish Cove 14 km south of Kitimat |
| Output Capacity | Initial: s.13,s.17 |
| | Total: |
| Feedstock Pipeline: | Pacific Trail Pipeline |
| LNG Buyers: | No announced offtake agreements |
| Pre-FEED Contractor: | CDS Research |
| FEED Contractor: | KBR |
| EPC Contractor: | JGC / Fluor (also completion of FEED) |
| Capital Expenditure (est.): | s.13,s.17 |
| Operating Expenditure (est.): | Not announced |
| Construction Jobs (est.): | 3,000 construction jobs at peak activity (currently 400 jobs in Kitimat) |
| Operations Jobs (est): | 100 – 200 permanent jobs |

Contact: [LNG Task Force](#)

Appendix 1 – 2017-18 FEDERAL ENGAGEMENT ACTION PLAN - WILDFIRE

| | B.C.'s Requests | Fora, Tools and Time Lines | Federal Commitment Supported by B.C.'s Request | B.C. Leads |
|--|-----------------|----------------------------|--|---|
| <p>Phase One</p> <p>To be completed by OCT. 2017</p> | s.13,s.16 | | | <p>Becky Denlinger, DM Emergency Management B.C.</p> <p>Tim Sheldan, DM FLNRO</p> |

Appendix 1 – 2017-18 FEDERAL ENGAGEMENT ACTION PLAN - CANNABIS

| | B.C.'s Requests | Fora, Tools and Time Lines | Federal Commitment Supported by B.C.'s Request | B.C. Leads |
|--|---|----------------------------|--|--|
| Phase Two To be completed by FEB 2018 | <p><u>MENTAL HEALTH AND ADDICTIONS</u> (Cannabis Production And Distribution)</p> <p>Federal legislation currently in committee stage proposes to legalize cannabis with the federal government retaining responsibility for production with the provinces responsible for distribution and retail.</p> <p>BC intends to pursue a distribution and retail model which provides opportunity for current producers who do not hold federal licenses to move into the legal system and market.</p> <p>s.13</p> | s.13,s.16 | | Mark Sieben, Deputy Solicitor General |

Ministry of Municipal Affairs and Housing
2017 UBCM CONVENTION BRIEFING NOTE

Meeting with the Whistler Resort Municipality

Prepared by MAH for: Premier Horgan

Date: Wednesday, September 27, 2017

Time: XX:XX – XX:XX

ISSUE: Resort Municipality Initiative and the Regional District Tax Program

It is expected that Whistler will focus the discussion on the significant contributions the resort provides to the provincial economy; the importance of continuing the RMI; and their interest in allowing more flexible MRDT spending parameters to ensure Whistler remains a leading resort destination in BC.

RMI:

- The RMI, established in 2006, provides \$10.5M/year to 14 resort communities whose tax base is inadequate to support the infrastructure and experiential demands of a large annual influx of visitors. Since 2006, Whistler has received \$81,079,362 in RMI funding, the largest share of the 14 communities (approximately 68%). Their 2017/18 RMI allocation is \$6,860,609, up 3.79% from 2016/17. Whistler's RMI investments have focused on visitor services and the visitor experience. Significant investment has gone into Whistler Village, including the Whistler Olympic Plaza ice rink and public art projects. Whistler has also invested in accessibility improvements, signage, plantings and trails.
- Whistler is becoming increasingly concerned about the continuation of the program beyond March 31, 2018.
- Mayor Wilhelm-Morden (alongside the Mayors of Sun Peaks and Tofino) has actively led discussions and work to demonstrate the impact of RMI funding. At a September 25, 2017 meeting of the Resort Communities Collaborative (mayors and CAOs from the 14 resort municipalities), attendees expressed interest in continued collaboration with the Ministry of Tourism, Arts and Culture to develop longer term program options.
- In August 2017, the Mayor and CAO Furey met with MLA Andrew Weaver to discuss the importance of RMI. At the meeting with Premier Horgan, it is expected that Whistler will emphasize the importance of a long-term funding commitment and request the Premier support the RMI on an ongoing or permanent basis. Whistler may in addition suggest the preference for a return to a tax-based funding mechanism.

MRDT Program:

- The MRDT, enabled by the *Provincial Sales Tax Act* (PSTA), is an up to 3% tax that applies to the purchase of taxable accommodation in specific geographic areas. Under the PSTA, use of MRDT funds is restricted to "tourism marketing, programs and projects". The overarching purpose of the MRDT program is to provide funds for marketing activities that have a direct connection to tourism, target primarily visitors (not residents), and are not a municipal expense. The MRDT program is jointly administered by the Ministries of Finance (FIN), Tourism, Arts and Culture (TAC) and Destination BC (DBC).
- The PSTA allows government to prescribe additional MRDT purposes by Regulation. These may include capital spending if communities provide a strong rationale and broad stakeholder support. Proposals are considered and approved by Cabinet on a case-by-case basis.

RECOMMENDED COMMENTS:

- Whistler truly is a destination of choice. I recognize the tremendous contributions Whistler makes to tourism and the provincial economy.
- I am pleased to hear that RMI funding has allowed you to diversify your tourism offerings and grow your local tourism sector.
- I can assure you that the information and feedback you have provided to me on the RMI will be given consideration as government reviews options beyond March 2018.
- I will ensure the Ministry of Tourism, Arts and Culture, the Ministry of Finance and Destination BC continue to work with you on each outstanding area in your 3% MRDT application.

MEETING NOTE

Intergovernmental Relations Secretariat - Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

| | |
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| MEETING: | First Ministers' Meeting |
| ISSUES: | Softwood lumber dispute: Update from Minister Freeland and Ambassador MacNaughton and discussion. |
| SUGGESTED MESSAGES: | s.13,s.16 |
| BACKGROUND: | <p>The US has reportedly backed away from the framework deal negotiated by Minister Freeland and Secretary Ross in July.</p> <p>The new proposal from the US is not as favourable for BC and Canada as the framework deal. For example:</p> <ul style="list-style-type: none">• Canada's market share is set at a flat 28 per cent, with no transition (the previous proposal, which BC was prepared to accept, gradually reduced Canada's market share, giving shippers time to adjust).• There is no hot market adjustment that would have given Canada more market share with US prices are high.• It is not clear whether the new proposal would return all duties collected to date to Canadian shippers. <p>The US will issue the final countervailing duty and anti-dumping orders by late December / early January, at which point Canada can appeal the decision under NAFTA and to the WTO.</p> <p>In 2016:</p> <ul style="list-style-type: none">• Forestry generated almost \$800M in direct revenue to government and provided 60,000 direct jobs in over 140 communities.• BC produced about 50% of all Canadian softwood lumber, and accounted for about 55% of Canada's exports to the US.• While BC has made great strides in opening up Asian markets, the US is still our number one market.• Forestry accounted for \$14B in BC's exports, \$7.4B to the US. |

Ministry of Finance
September 2017/18 Budget Day Briefing Note
February 2017/18 Budget

For the February 2017 budget, the Office of the Premier's three year service plan budget increased by by \$57 thousand or 0.6% from \$8.998 million in 2016/17 to \$9.055 million in 2019/20. The increase is due to the Economic Stability Mandate and benefit adjustments.

| Description | 2016/17 (Restated) | 2017/18 | 2018/19 | 2019/20 |
|---|-----------------------|--------------------|--------------------|--------------------|
| 2016/17 Service Plan Budget | | | | |
| Office of the Premier | \$8,998,000 | \$9,040,000 | \$9,055,000 | \$9,055,000 |
| Total | \$8,998,000 | \$9,040,000 | \$9,055,000 | \$9,055,000 |
| 2017/18 Budget Changes - February 2017 | | | | |
| Benefits Chargeback Rate <i>(note 1)</i> | | (\$29,000) | | |
| 2017/18 Service Plan Budget – February 2017 | | | | |
| Office of the Premier | \$8,998,000 | \$9,011,000 | \$9,055,000 | \$9,055,000 |
| Total | \$8,998,000 | \$9,011,000 | \$9,055,000 | \$9,055,000 |
| February 2017 - Changes from Restated 2016/17 Service Plan | - | \$13,000 | \$57,000 | \$57,000 |
| February 2017 - Percent change from Restated 2016/17 Service Plan | - | 0.1% | 0.6% | 0.6% |

Note 1. The 2017/18 benefits chargeback rate was reduced from 24.8% to 24.3%. 2018/19 and 2019/20 will continue to reflect a chargeback rate of 24.8%; however, this will be reviewed as part of *Budget 2018*.

Ministry of Finance

September 2017/18 Budget Day Briefing Note

September 2017/18 Budget Update

For the September 2017 budget, the Office of the Premier's three year service plan budget increased by \$2.057 million or 22.9% from \$8.998 million in 2016/17 to \$11.055 million in 2019/20. The increase is due to an increased workload as the Office of Premier's activities are broadened to provide greater support to ministries in achieving government's objectives, as well as addressing on ongoing structural shortfall.

| Description | 2016/17 (Restated) | 2017/18 | 2018/19 | 2019/20 |
|---|-----------------------|---------------------|---------------------|---------------------|
| 2017/18 Service Plan Budget – February 2017 | | | | |
| Office of the Premier | \$8,998,000 | \$9,011,000 | \$9,055,000 | \$9,055,000 |
| Total | \$8,998,000 | \$9,011,000 | \$9,055,000 | \$9,055,000 |
| 2017/18 Budget Changes - September 2017 Update | | | | |
| Budget Lift (note 2) | | \$2,000,000 | \$2,000,000 | \$2,000,000 |
| 2017/18 Service Plan Budget – September 2017 | | | | |
| Office of the Premier | \$8,998,000 | \$11,011,000 | \$11,055,000 | \$11,055,000 |
| Total | \$8,998,000 | \$11,011,000 | \$11,055,000 | \$11,055,000 |
| February 2017 - Changes from Restated 2016/17 Service Plan | - | \$2,013,000 | \$2,057,000 | \$2,057,000 |
| February 2017 - Percent change from Restated 2016/17 Service Plan | - | 22.4% | 22.9% | 22.9% |

Note 2. The Office of the Premier (PREM) is a central agency that that supports the Premier in overseeing and leading government. Its activities include:

- Working with Ministers and their staff to support the achievement of the objectives laid out in their mandate letters;
- Working with the federal government and all ministries and Crown agencies to ensure that relations with federal, provincial, territorial and international governments advance the Province's interests;
- Providing support for Cabinet and its committees; and
- Leading the public service.

Other than funding increases for wage mandate related costs PREM's budget has been unchanged in recent years. For the last several years, the Ministry of Finance has been assisting PREM in managing ongoing cost pressures.

In addition to this structural shortfall, PREM is anticipating an increased workload as its activities are broadened to provide greater support to ministries in achieving government's objectives.

The funding increase will result in a staffing increase of approximately 10 FTEs.

MEETING NOTE

Intergovernmental Relations Secretariat - Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

MEETING: Meeting with First Ministers (October 3, 2017)

ISSUES: **Proposed federal tax changes for private corporations**

**SUGGESTED
MESSAGES:** s.13

BACKGROUND: The 2017 federal budget pledged to address specific tax planning strategies that are used by private corporations.

In response to the increased use of private corporations compared to other business entities, on July 18, 2017, the Department of Finance released a consultation paper discussing three specific advantages for private corporations and the proposed solutions to the identified problems: income sprinkling, passive investments and converting business income to capital gains. The consultation period is open until October 2, 2017.

These tax planning mechanisms are only available to incorporated business with very high incomes.

Business owners that use these tax planning mechanisms have been vocal about their opposition to the proposed changes. s.13

s.13

Media reports of public reaction to the proposed changes have largely been negative but this is likely because the media only hears from the relatively small number of people that would be impacted by the changes.

s.16

MEETING NOTE

Intergovernmental Relations Secretariat - Office of the Premier

s.13

Doctors are split in their support or opposition to the changes. Those who support the proposed changes argue that they are not in a position to take advantage of the tax planning mechanisms and the tax system should not be used to indirectly address things like paid leave for maternity.

s.13

The Minister of Finance's mandate letter contains the following priority, "Take measures to improve tax fairness and ensure the tax system reflects our commitment to work for all British Columbians, not just those at the top."