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How do Alberta and B.C. work together on LNG?



LNG Canada site. Image: Fluor.

While the governments of Alberta and British Columbia have been butting heads over the Trans Mountain expansion, both jurisdictions have viewed natural gas and LNG favourably. The question for both provinces is how they work co-operatively on LNG given the strained relationship on the TMX side.

“It’s tough because there’s no moral equivalence,” Dale Nally, Alberta’s associate minister of natural gas, said in an interview with the Daily Oil Bulletin. “We absolutely have to get our natural gas to market; we have to work collaboratively with B.C. on LNG because we have some vested interests.”

He added: “But let’s be clear: We have a pipeline to build on the oil side as well, and so we have to do both. We need to get the TMX built, absolutely; [we] need to get oil flowing

through there in addition to working with them on getting some pipelines and supporting some LNG facilities.”

A report commissioned by Alberta’s previous government titled [Roadmap to Recovery: Reviving Alberta’s Natural Gas Industry](#) included a host of recommendations to revive the province’s ailing natural gas industry.

It suggested to “grow the pie” — in other words, improving market access for Alberta’s natural gas producers. One of the options is LNG exports.

The global opportunity is “complex,” the report stated, but it is the one big prize for Western Canada’s natural gas sector.

“Our LNG development projects must be globally competitive, visionary, sophisticated, and large in scale. LNG Canada’s decision to proceed is great news, but we need to move quickly and assertively to bring subsequent phases and projects forward. The time to act is now,” the report said.

Is there a role for the Alberta government to play in helping to get the province’s gas to markets overseas?

“I don’t see it in providing grants and economic incentives; that’s not what we do,” Nally said. “Our job is to provide a regulatory environment that is a business-friendly environment, that’s going to attract business.”

Provinces need ‘to be united’ on LNG development

While Alberta and British Columbia may still be nursing wounds over the fight they had on TMX, B.C. Premier John Horgan recently conceded that his government’s legal fight over the expansion “has run its course.”

A Supreme Court ruling earlier in January shut down B.C.’s attempt to regulate what can flow through an expanded Trans Mountain pipeline. The B.C. government wanted to require provincial permits before heavy oil could be shipped to the province through pipelines from Alberta. The Supreme Court decision upheld a B.C. Court of Appeal ruling that said such permits would violate Ottawa’s authority under the Constitution to approve and regulate pipelines that cross provincial boundaries.

Producers are now hoping to see some co-operation between Alberta and B.C. on a western Canadian natural gas and LNG industry.

“The one message that I’ve heard consistently from investors is that we need to be united,” Nally said recently in an interview with *Business in Vancouver* (BIV). “We need to be united provincially with all the provinces, and we need to be united federally.”

Even if B.C. and Alberta co-operate on the LNG front, however, there is some uncertainty about whether the political will exists at the federal level.

Many industry members say the Trudeau government has been adding, not subtracting, to regulatory processes that are already considered too slow and cumbersome, especially when it comes to building pipelines. At least one new pipeline to the West Coast will be needed, if another major LNG plant ever gets a final investment decision.

“Whether it’s LRTs in urban environments, or hydro plants, or wind and solar, or natural gas or oil, these [processes] have gotten too long,” said Rick Anderson, principal for Earncliffe Strategy Group. “The problem is definitely more severe, and has gotten worse, at the federal level.”

Compared to the U.S., where LNG development continues apace, “we are really mired in a regulatory quicksand,” added Dan Allan, president of the Canadian Society for Unconventional Resources.

(The report — [LNG: Canada’s Global Market Opportunity](#) — examines how Canadian gas supplies, delivered to worldwide markets through LNG export terminals, can help meet burgeoning market demand and offer a transformative opportunity for struggling producers.) There are real fears that Canada has already lost the race to become a major LNG producer to the U.S., and that LNG Canada may end up being the only major LNG project built in Western Canada.

“Absent a dedicated joint Alberta/B.C./Canada acceleration effort for additional B.C. projects, our reliance on LNG for Alberta’s gas future will be constrained and could be dominated by a single project,” the Alberta special advisory panel warned.

On this score, strong government support for environmentally responsible natural gas development is essential at a time when opposition to all forms of hydrocarbon energy “is blocking our access to both continental and global natural gas markets,” the Roadmap report noted.

On this score, “the Alberta government can play an important leadership role in bringing producers, pipeline companies, other provinces and the federal government to the table, to identify and implement long-term strategies for the development and marketing of our immense natural gas resources,” the report stated.

Canada, Western Canada, and Alberta would benefit from a united, cohesive, and actionable vision for natural gas. The enormous natural gas resource base of Alberta and B.C. offers great economic opportunity, according to the report, but that opportunity will not be realized unless industry and governments develop a shared vision for natural gas resource development.

A strategic vision for Western Canada’s natural gas industry must include clear strategies to access both continental and global markets. “Our American competitors are doing it, why aren’t we?”

With the American market shrinking, Alberta’s natural gas producers are increasingly looking to Asia and the liquefied natural gas industry for new markets. Nine mid-sized producers with operations in Alberta and B.C. recently formed a coalition called Rockies LNG Partners, with the goal of developing a new market for their gas in Asia, via the West Coast.

The group expects to identify a potential project site in the first quarter of 2020, Rockies LNG chief executive officer Greg Kist said in an interview with Bloomberg late last year. Rockies is maintaining an earlier target of bringing its facility into service in 2026, he said.

Broader energy co-operation between Alberta and B.C.

Meanwhile, energy co-operation between Alberta and B.C. has the potential to grow into other areas.

For instance, in exchange for helping one energy sector in Alberta — natural gas — Alberta could provide a market for another energy sector in B.C.: electricity.

B.C. is building a new \$10-billion hydro-electric dam, Site C, which will produce a surplus of power when it turns on in 2025.

And it has independent power producers and First Nations lobbying hard for power purchase calls for new renewable energy projects — projects that won't be needed, unless there is a serious push to decarbonize Western Canada's oil and gas sector through electrification. There could be a demand for B.C.'s clean power, both in the oilsands and natural gas, to lower the sector's emissions intensity through greater electrification. B.C. hydro dams could also backstop some of the intermittent wind and solar power that is expected to be built in Alberta, as it phases out coal power.

(Read how Canada could produce the “cleanest” LNG in the [report](#) Canada's Green LNG Advantage: Extensive electrification offers critical low-emissions advantage in the global pursuit of clean growth.)

“Without doubt, there is opportunity for both our provinces to develop some of the lowest GHG emission natural gas in the world, and meet the growing market demand for lower emission energy sources,” Michelle Mungall, B.C.'s former minister of energy, mines and petroleum resources, told BIV. [Bruce Ralston was appointed on Jan. 22, 2020, as B.C.'s new minister of energy, mines and petroleum resources as part of a cabinet shuffle by Premier Horgan. Mungall was appointed as minister of jobs, economic development and competitiveness.]

“It is in the best interest of both Alberta and B.C. to co-operate as much as possible on the energy front,” Nally added. – with files from Richard Macedo