



CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

LNG: Caught in the Web of Opposition to Energy Projects

by Monica Gattinger
October 2019

LNG SERIES

LNG: CAUGHT IN THE WEB OF OPPOSITION TO ENERGY PROJECTS

by Monica Gattinger

CGAI Fellow
October 2019



CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Prepared for the Canadian Global Affairs Institute
1800, 421 – 7th Avenue S.W., Calgary, AB T2P 4K9
www.cgai.ca

©2019 Canadian Global Affairs Institute
ISBN: 978-1-77397-096-7



It seems there is opposition to all major energy projects in Canada these days. There is little consensus over energy projects and the country's energy future in an age of climate change, of reconciliation with Indigenous peoples and of public mistrust of institutions. Debates have become increasingly polarized, partisan and parochial, and public confidence in those making decisions about energy projects is waning.

The development of liquefied natural gas export facilities is caught in this web.

Why is this the case? What's to be done? Will a so-called LNG narrative help?

Addressing these questions is pivotal. The future of the LNG industry in Canada hangs in the balance.

* * *

When LNG Canada announced a positive final investment decision on its \$40-billion export project, many people saw it as confirmation that the facility would be built. The federal government issued a press release stating the project will create 10,000 jobs during construction, generate billions in government revenues and lead to hundreds of millions of dollars in contracts for Indigenous businesses.¹ In light of recent experience with large energy projects, this confidence seems misplaced.

For seasoned energy observers, the decision is important, but it is only one milestone on the lengthy road to establishing LNG export facilities in Canada. Many hurdles remain.

Despite the support of all First Nations along the pipeline route bringing gas to the planned terminal,² the opposition of a small group of hereditary chiefs in one community calls into question the project's ability to move forward. Their opposition has been highly publicized and has led to protests in cities within and beyond Canada.

Opposition to LNG development by Indigenous leaders and climate activists creates uncertainty. If opponents fight the project with court challenges, lengthy delays could ensue. And if they fight the project with protests or civil disobedience, the political will of the federal and British Columbia governments to back the project could wither. So could the will of LNG Canada and its investors.

Why is it so tough to get LNG projects built in Canada when similar countries – notably the U.S. and Australia – have been able to permit and construct multiple facilities? This paper begins by laying out the reasons why. It then recommends ways to address the challenges to LNG development in an age of climate change, reconciliation with Indigenous peoples and public

¹ Government of Canada, "Government of Canada Welcomes Largest Private Sector Investment Project in Canadian History," News release, Oct. 2, 2018.

² Gerry Leibel, "All 20 First Nations Sign Coastal GasLink Pipeline Agreement," *The Columbia Valley Pioneer*, Sept. 13, 2018. Available at <https://www.columbiavalleypioneer.com/news/all-20-first-nations-sign-coastal-gaslink-pipeline-agreement/>.



mistrust of institutions. In particular, it considers whether an LNG narrative will help pave the way to construction.

The Web of Opposition to Energy Projects in Canada

Why have energy projects become subject to increasing opposition and controversy in Canada even when they have the support of multiple affected communities, a majority of citizens, regulatory agencies and governments?

There is no single or simple answer to this question. Four inter-related factors have combined to generate opposition in recent years: social, value and technological change; gaps in government policy; growing uncertainty over who decides whether an energy project should move forward and by what process they should decide, and increasingly polarized debates over energy and climate.

First, take social, value and technological change. Canada's energy decision-making apparatus was built largely in the early postwar period, a time when people were more trusting and deferential, and long before social media came on the scene. Since the 1950s, public trust in government, industry and experts has declined across Western industrialized democracies.³ In an era of fake news and social media echo chambers, the 2017 Edelman Trust Barometer declared "trust is in crisis around the world".⁴ In the 2018 Barometer, the media emerged as the least trusted institution and for a majority of respondents, not trusting the media "led to an inability to identify the truth" and to trust "government leaders."⁵ In 2019, the Barometer revealed that people have "shifted their trust to relationships within their control", especially to their employers.⁶

It is difficult to discern tidy trend lines from all of this, but one thing is clear: who or what people trust, with what level of commitment and why – is in flux.

Related to changes in levels of trust, citizens' deference to authority has also declined⁷ and they have a greater desire to be involved in decision-making processes that affect them.⁸ In addition, there is much greater fragmentation and more visible lack of consensus over what constitutes the national interest and how best to determine it.

Accompanying these changes are transformations in information and communications technologies, notably the rise of social media. These changes have created unprecedented

³ See Anthony Giddens, *Consequences of Modernity*. (Cambridge: Polity Press, 1990).

⁴ See Edelman, *2017 Edelman Trust Barometer*. Available at <https://www.edelman.com/research/2017-edelman-trust-barometer>

⁵ See Edelman, *2018 Edelman Trust Barometer*. Available at <https://www.edelman.com/research/2018-edelman-trust-barometer>

⁶ See Edelman, *2019 Edelman Trust Barometer*. Available at <https://www.edelman.com/trust-barometer>

⁷ See Neil Nevitte, *The Decline of Deference: Canadian Value Change in Comparative Perspective 1981-1990*. (Toronto: Broadview Press, 1990); and Neil Nevitte, "The Decline of Deference Revisited: Evidence after 25 Years," paper presented at Mapping and Tracking Global Value Change: A Festschrift Conference for Ronald Inglehart, March 11, 2011, University of California, Irvine.

⁸ See Frank Fischer, *Reframing Public Policy: Discursive Politics and Deliberative Practices*. (Oxford and New York: Oxford University Press, 2003); and Loïc Blondiaux and Yves Sintomer, "L'impératif délibératif," *Politix* 15(57), 2002: 17-35.



opportunities for communication between anyone and everyone, enabling rapid mobilization and instantaneous sharing of information – and misinformation.

Second, there are gaps and incoherence in government actions on broad policy issues like climate change, reconciliation with Indigenous peoples and the cumulative effects of multiple energy projects. Energy projects are often opposed for reasons stemming from broader questions of public policy well beyond their individual merits or demerits.⁹ There are policy gaps in three key areas: climate change, reconciliation with Indigenous peoples and cumulative effects.¹⁰

On climate change, the absence of adequate forums for, and perceptions of, meaningful government action on climate, notably over the last decade, has resulted in concerns over climate being played out in the regulatory system through opposition to individual projects. Advocacy in this space can be highly polarized and polarizing, and includes sharp targeting of the oil and gas industry itself, notably the oilsands. Exacerbating this challenge is the tendency for governments over the years to have made (and continue to make) commitments on climate change that cannot practically be met in physical, economic, social or political terms. This generates both skepticism and a lack of confidence that governments take the issue seriously.

On Indigenous issues, inadequate government movement on reconciliation can result in energy projects being opposed by Indigenous authorities or community members, based on concerns that extend well beyond energy policy, regulation and development (e.g., clean drinking water or adequate housing). This policy gap is exacerbated by a lack of clarity and shared understandings of the legal context for Indigenous involvement in energy projects in Canada; notably, what court decisions mean for rights, title and the duty to consult and accommodate and for the scope and nature of Indigenous governments' authority.

On cumulative effects, the lack of adequate regional planning forums and mechanisms like strategic environmental assessments to address the effects of multiple projects in geographic, environmental, social and temporal terms can likewise generate opposition to individual projects for reasons that extend well beyond an individual project per se. Jurisdictions like Alberta and British Columbia have responded to these issues with frameworks to address regional cumulative effects but many challenges, including scope of coverage and interjurisdictional co-ordination, remain.

Third, the above changes create uncertainty over who ultimately holds the power to decide whether a major energy project can go forward, and by what process they make the decision. Governments are trying to open up decision-making processes to respond to demands for citizen involvement, but this can generate real and perceived tensions between participatory democracy (citizen involvement) and representative democracy (elected or appointed officials taking decisions). Regulators are incapable of addressing issues beyond their mandates and individual project proponents face real limits to the extent to which they can address these broader issues

⁹ For a comprehensive study of community levels of satisfaction with energy project decision-making processes, see Michael Cleland, with Laura Nourallah and Stewart Fast, "Fair Enough: Assessing Community Confidence in Energy Authorities," Canada West Foundation and University of Ottawa (Positive Energy), 2016.

¹⁰ Ibid.



on their own. Therefore, public frustration mounts, and confidence in public authorities (policy-makers, regulators) and industry (individual companies, entire industry sectors) can weaken.

Citizens may be less likely to trust that governments make fair, unbiased, balanced decisions and may lack confidence in expert opinion and scientific evidence, giving more weight to evidence from sources they trust (e.g., close friends), regardless of their knowledge or expertise. A democracy has multiple avenues for trying to overturn or influence public decisions (lobbying, campaigns, the courts, etc.). Who decides and how has become a very open question in Canada.

Finally, recent trends toward greater polarization and partisanship on energy issues in Canada make reasoned, balanced debate difficult to come by. Two very different visions of the country's energy future are on offer.¹¹ Unfortunately, they mostly talk past one another because they're anchored in different starting points. The first, which can be called Canada's low carbon transition, takes climate science and the Paris emissions reduction targets as its starting point. Successive reports from the Intergovernmental Panel on Climate Change (IPCC) documenting the rapidly changing climate and articulating an urgent need to decarbonize energy systems anchor the view. The low carbon vision is grounded in the existential threat climate change poses: countries must meet the Paris targets to avert temperature increases that models say would be disastrous for the planet.

For Canada, this approach advocates for a rapid low carbon transition away from oil and gas by phasing out oil and gas production (especially the oilsands), ramping up renewable energy (especially wind and solar), rapidly electrifying energy systems (especially adopting electric vehicles), and putting a price on carbon (especially one that applies across the country).

The low carbon vision is primarily domestic- and upstream supply-focused. According to this view, Canada must reduce its emissions and eliminate the oil and gas sector to meet its Paris targets. Globally, the view maintains that the country has a moral responsibility to demonstrate leadership on the international stage. If Canada – a Western industrialized democracy whose development contributed to anthropocentric climate change – doesn't take action, why would others?

The second vision can be called Canadian energy in the world. It takes energy economics and global energy demand as its starting point. International Energy Agency (IEA) studies documenting oil and gas demand growth over time and into the future anchor the view. So do IEA and other scenarios projecting fossil fuels will continue to account for the majority of global energy demand – even under the Paris targets. The actual and potential benefits of the oil and gas sector to the Canadian economy, to economic reconciliation with Indigenous peoples and to government revenues also ground the approach.

¹¹ These visions were first articulated in Monica Gattinger, "A Tale of Two Visions: Canada's Polarized Energy Debate," *Daily Oil Bulletin*, June 11, 2019. Available at <https://www.dailyoilbulletin.com/article/2019/6/11/a-tale-of-two-visions-canadas-polarized-energy-deb/> Positive Energy has since conducted research interviews with more than 40 energy and environmental leaders, asking them to share their views on the term "transition". The results, which will be published shortly, underscore the existence of these two realities.



“Canadian energy in the world” is an opportunity-based vision. With global demand for oil and gas remaining strong – even under ambitious climate policy – there are significant export opportunities for the country’s vast energy resources. In this view, shutting down Canadian oil and gas production will do nothing to reduce global demand, as other producers – the U.S., the Organization of Petroleum Exporting Countries (OPEC), Norway, Australia and Russia – will gladly step in to fill the breach.

The vision is global-, technology- and emissions performance-focused: if Canadian oil and gas can be produced with lower greenhouse gas (GHG) emissions than the global average – an emerging reality given recent years’ innovations – then why shouldn’t it be sold in international markets? And if Canadian energy exports can reduce global emissions by displacing higher emitting energy sources elsewhere, why shut them in?

As discussed below, this vision is particularly relevant to LNG development and it underpins many of the arguments supporters make in favour of LNG. But in a polarized political context coloured by social and value change, policy gaps and uncertainty over who decides what and how, it’s unclear whether an LNG narrative will pave the way to getting projects built.

Can LNG Break Free from the Web of Opposition?

There is no silver bullet when it comes to addressing these issues. Rather, there are multiple avenues that need to be pursued.

The first relates to developing a so-called LNG narrative. Many think that if Canada has the right LNG story, this will resolve the challenges. But as shown above, public opposition to energy projects results from multiple factors – social, value and technological change; policy gaps; uncertainty over who decides what and how; and polarized debates. In this context, getting the narrative right is at best a necessary but insufficient condition. At worst, it can contribute to amplifying polarization if it’s developed or promoted in a way that’s seen as a shallow trope to advance narrow industry interests with little consideration for climate or other social imperatives.

For a narrative to be helpful, it needs to begin with clear comprehensive messaging from governments, industry, Indigenous leaders and multi-stakeholder groups that addresses the full suite of reasons for opposing projects. It needs to have credible answers to many questions. How are LNG projects developed in ways that provide meaningful opportunities for public input? How do they advance progress on issues like climate change, reconciliation with Indigenous peoples and cumulative effects? Why should people trust both the substance of decisions to move forward with LNG exports and the processes used to make them?

Moreover, for a narrative to be helpful, it needs to put its metrics where its mouth is: it needs to be grounded in performance indicators and metrics benchmarked over time. Metrics for economic, social and environmental impacts need to be clear, credible and broadly communicated on an ongoing basis. Claims that Canada has world-class regulation, safety or industry



performance on the environment, or for partnerships with Indigenous communities, need to be substantiated and widely communicated. And they need to be developed and collected in ways that are viewed as trustworthy by all involved.

Communicating performance metrics should also include support for informed media coverage of the issues by mainstream outlets across the country. Outside of specialized industry and trade outlets, media coverage is often poorly informed on energy in general and the realities of community support or opposition to individual projects in particular (this tendency likely grows the further away outlets are from project locations). The declining number of journalists specializing in energy is of particular concern.

But even a balanced narrative with benchmarked performance that's widely communicated is unlikely to be successful unless accompanied by effective government action on policy gaps and on clarifying who decides what and how. A brave new world of energy confronts decision-makers – one that is far more complex, interconnected, volatile, prone to polarization, fragmentation, distrust and misinformation, and far less controllable. To date, no Canadian government has gotten the balance right and managed to align economic, social and environmental imperatives in ways that provide a clear predictable investment climate that also meets 21st century citizen demands.

When it comes to LNG exports, part of the challenge may well lie in the fact that in contrast to countries like the U.S. and Australia that have been able to permit and construct facilities, Canada has limited experience with LNG (either export or import) and the country has never exported oil and gas resources in meaningful volumes using anything but a pipeline. In addition, facilities will mainly be located in areas with limited prior experience with energy infrastructure and with multiple Indigenous communities that have long histories of mistrust of government and industry, and varying interests both within and between them. These projects also come at a time when debates over Canada's energy future in an age of climate change are polarized along partisan and regional lines.

Given this, Canada is in a period of unprecedented experimentation when it comes to energy decision-making. But the stakes are high. LNG Canada is the largest private sector investment in Canadian history. It will be a pivotal test case. A positive final investment decision (FID) has been made and both the federal and British Columbia governments have attempted to address policy gaps, and tried to reform energy and environmental impact decision-making to address contemporary demands.¹² Importantly, both support the project. Will they stand firm in the face of opposition?

Botching LNG Canada will have effects well beyond the lost economic opportunity of the project itself. It will have ripple effects for investor confidence in other projects, whether in the LNG sector or beyond.

¹² The federal government's reforms (Bill C-69) increased uncertainty.



* * *

What all of this will mean for the future of the natural gas sector in Canada is a very open question. Thanks to the advent of fracking and the so-called shale revolution, natural gas production in the U.S. has climbed from 18.1 trillion cubic feet of dry (consumer grade) natural gas in 2005 to 30.4 trillion cubic feet in 2018 (production for the first half of 2019 is estimated at 16.3 tcf).¹³ This has had a predictable impact on natural gas trade: the U.S. was a net importer of natural gas for decades, with the majority of imports coming from Canada. Now, the U.S. exports natural gas in increasing volumes (including to Eastern Canada from shale deposits in the northeast): U.S. gas exports more than tripled over the last decade, rising from 729 billion cubic feet in 2005 to 3.6 trillion cubic feet in 2018 (exports in the first six months of 2019 alone total 2.1 tcf).¹⁴ Beginning in 2017, the U.S. was a net exporter of natural gas – the first time it exported more gas than it imported since the 1950s (net exports grew from 125 bcf in 2017 to 719 bcf in 2018; they were 740 bcf in the first six months of 2019 alone).¹⁵ Of course, this is made possible by the development of LNG export facilities.

While Canada has been struggling to get one project built, the U.S. has been permitting and building multiple facilities. Between 2016 and 2019, the U.S. brought four LNG export facilities into operation in the lower 48 states.¹⁶ Two more are expected to be added by 2020, bringing the U.S.'s total export capacity to a staggering nine billion cubic feet per day.¹⁷ In very short order, the U.S. has become both consumer and competitor for Canadian gas: U.S. imports from Canada have declined from 3.7 trillion cubic feet in 2005 to 2.8 trillion cubic feet in 2018 (they stood at 1.4 tcf in the first six months of 2019).¹⁸ The situation will likely get even more challenging. The U.S. Energy Information Administration (EIA) projects a further decline in natural gas imports from Canada in the decades ahead, along with an increase in U.S. gas exports to Eastern Canada.¹⁹

All of this underscores the importance for Canada of developing the LNG industry. But it must do so at a time when there is little consensus over the country's energy future in an age of climate change, of reconciliation with Indigenous peoples, of public mistrust of institutions, and where energy projects are opposed far more often than not.

Can LNG break free from this web? Possibly, but any approach to doing so needs to avoid single simple solutions and must address all of the factors that create the web of opposition.

¹³ United States Energy Information Administration, *Monthly Energy Review*, Table 4.1, September 2019: 99.

¹⁴ *Ibid.*

¹⁵ *Ibid.*

¹⁶ Institute for Energy Research, "LNG Exports are Expanding Everywhere, Especially in the US and Australia," *Natural Gas Now*, July 24, 2019. Available at <https://naturalgasnow.org/lng-exports-are-expanding-everywhere-especially-in-the-u-s/>

¹⁷ *Ibid.*

¹⁸ United States Energy Information Administration, *Monthly Energy Review*, Table 4.2, September 2019: 100.

¹⁹ United States Energy Information Administration, *Annual Energy Outlook 2019 with Projections to 2050*, 2019: 84.

► About the Author

Monica Gattinger is Director of the University of Ottawa's Institute for Science, Society and Policy, Associate Professor at uOttawa's School of Political Studies, and Fellow at the Canadian Global Affairs Institute. She has written widely on Canadian energy policy and regulation, and the country's energy relations with the United States. Monica chairs Positive Energy, a multi-year project that uses the convening power of the university to bring together industry, government, Indigenous groups, local communities, environmental NGOs and the academy to identify how to strengthen public confidence in energy decision-making in Canada. She sits on the Editorial Boards of the University of Ottawa Press and the journal *Canadian Public Administration*. She is a member of the International Advisory Board for the Center for Policy on Emerging Technologies (Washington, DC) and sits on the Advisory Councils for Pollution Probe's Energy Exchange and Energy Ambassadors. Her expertise is regularly sought out by parliamentary committees, energy ministers, departments, regulatory agencies, energy companies and industry associations in Canada and abroad. Monica holds a PhD in public policy from Carleton University.

► **Canadian Global Affairs Institute**

The Canadian Global Affairs Institute focuses on the entire range of Canada's international relations in all its forms including (in partnership with the University of Calgary's School of Public Policy), trade investment and international capacity building. Successor to the Canadian Defence and Foreign Affairs Institute (CDFAI, which was established in 2001), the Institute works to inform Canadians about the importance of having a respected and influential voice in those parts of the globe where Canada has significant interests due to trade and investment, origins of Canada's population, geographic security (and especially security of North America in conjunction with the United States), social development, or the peace and freedom of allied nations. The Institute aims to demonstrate to Canadians the importance of comprehensive foreign, defence and trade policies which both express our values and represent our interests.

The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

In all its activities the Institute is a charitable, non-partisan, non-advocacy organization that provides a platform for a variety of viewpoints. It is supported financially by the contributions of individuals, foundations, and corporations. Conclusions or opinions expressed in Institute publications and programs are those of the author(s) and do not necessarily reflect the views of Institute staff, fellows, directors, advisors or any individuals or organizations that provide financial support to, or collaborate with, the Institute.