
NEWS RELEASE

For Immediate Release
2018PREM0073-001910
Oct. 2, 2018

Office of the Premier
Ministry of Energy, Mines and Petroleum Resources

B.C.'s new LNG Framework to deliver record investment, world's cleanest LNG facility

An update was made to Backgrounder 1 on Oct. 11, 2018

VANCOUVER – Today's \$40-billion investment by LNG Canada shows B.C.'s future can balance economic opportunity and job creation with forward-looking environmental action that meets the Province's climate action goals, said Premier John Horgan.

"British Columbians want a future that brings opportunities for them and their kids in the communities they call home, while living up to our responsibilities to guarantee clean air, land and water for the generations that follow," Premier Horgan said.

"Ours is a province of unlimited potential, and the responsibility of this generation of British Columbians is to make decisions that embrace and preserve that potential. Today's decision by LNG Canada to invest in northern B.C. demonstrates that balancing our economic, environmental and reconciliation priorities is possible. It's a balance that will benefit the people of B.C. as we build a cleaner economy."

This project will see construction of a natural gas pipeline from northeast B.C. to Kitimat where a new terminal will process and ship LNG to Asian markets, generating \$24 billion of direct investment in B.C.

This record investment was enabled by the B.C. government's new LNG Framework, released in March 2018. In line with the government's approach to LNG, projects should:

- **Guarantee a fair return for B.C.'s natural resources:** This project is expected to generate about \$23 billion in public revenue over 40 years – new funds available to invest in health care, schools, child care and other key public services.
- **Guarantee jobs and training opportunities for British Columbians:** This project will create up to 10,000 jobs during construction and up to 950 permanent jobs once operations are underway.
- **Respect and make partners of First Nations:** Project partners have reached agreements with elected First Nations at the project site and along the pipeline route.
- **Protect B.C.'s air, land and water, including living up to the Province's climate commitments:** LNG Canada's project, as announced today – the world's cleanest in terms of greenhouse gas emissions – will be accommodated within the government's legislated emissions reduction targets.

"Our priority is protecting B.C.'s unique environment for future generations," Premier Horgan said. "With the extraordinary steps LNG Canada is taking to build a state-of-the-art LNG processing plant and partner with First Nations, this project can be made real as we meet our climate protection goals and recognize Indigenous rights."

The Province has committed that large natural gas development projects may proceed only if First Nations are consulted and treated as partners in projects within their territories.

Karen Ogen-Toews, First Nations LNG Alliance CEO, stated: “This is great news for the B.C. economy, for Canada, and for First Nations in B.C. Responsible LNG development means real benefits to Indigenous peoples and communities, long-term careers and reliable revenue to help First Nations close the economic gap between their members and other Canadians. LNG Canada has been a leader in dealing with First Nations. Our congratulations and thanks to their partners.”

“This is an unprecedented level of investment in British Columbia and we welcome the economic opportunities this project will provide for people and communities throughout the province,” said Michelle Mungall, Minister of Energy, Mines and Petroleum Resources. “We look forward to expanding the principles of our LNG Framework as we continue to work with other industries in creating more opportunities for British Columbians, while making resource operations cleaner and more efficient.”

For a translation in Chinese:

http://news.gov.bc.ca/files/LNG_Canada_Final_Investment_Decision_Chinese_Traditional.pdf

For a translation in Punjabi:

https://news.gov.bc.ca/files/LNG_Canada_Final_Investment_Decision_Punjabi_.pdf

Three backgrounders follow.

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BACKGROUND 1

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Meeting B.C.'s climate goals and building a strong, innovative economy

An update was made to Background 1 on Oct. 11, 2018

Government is committed to taking the steps necessary to achieve B.C.'s climate goals. Meeting these climate targets requires a concerted effort across all sectors to make the transition to a low-carbon economy.

B.C. has committed to meet legislative targets of 40% below 2007 levels by 2030, 60% by 2040 and 80% by 2050. These targets were detailed in legislation passed in May 2018. Specific targets for each of the industrial, transportation and building sectors also will be established.

The Government of British Columbia will launch its strategy to integrate the Province's goals for climate action, clean energy and sustainable economic growth later in 2018. In developing the strategy, feedback was solicited this past summer on the first set of priority areas: transportation, buildings and a clean growth program for industry.

Increasing the price on carbon

On April 1, 2018, the carbon tax increased by \$5 a tonne and will continue to increase by this amount annually, until 2021. Increasing the carbon tax meets the requirements set out by the federal government's pan-Canadian climate framework. Rebates will go to a majority of British Columbians.

A portion of the carbon tax revenue, paid by large industry, will fund a rebate program to provide incentives for the use of the greenest technology available in the industrial sector, including the natural gas sector, to reduce emissions and encourage jobs and economic growth. Some of the revenue will also go into a technology fund, to help spur new, clean technologies in all sectors, to make sure they fit within B.C.'s climate plan.

Developing climate solutions for clean growth

The B.C. government has appointed a Climate Solutions and Clean Growth Advisory Council to provide strategic advice to government on areas of focus for climate action that go hand in hand with economic growth. Government also is consulting with the public, researchers, industry associations, labour organizations, Indigenous groups and others on how to achieve the Province's environmental objectives efficiently and effectively, while growing B.C.'s clean economy and helping British Columbians come out ahead.

LNG within a renewed climate strategy

LNG Canada has committed to making its Kitimat facility the world's cleanest in terms of greenhouse gas (GHG) emissions intensity.

According to modelling by the government's Climate Action Secretariat, the LNG Canada project, as announced today, could add up to 3.45 megatonnes of carbon emissions. This impact could be reduced through implementation of various measures.

All sectors, including LNG, will need to reduce their overall emissions to allow B.C. to achieve its carbon pollution reduction targets. The provincial government's long-term strategy will include measures to encourage clean, industrial growth in British Columbia, including:

- A portion of the carbon tax revenue, paid by large industry, will fund a new clean-growth incentive program to encourage the use of the greenest technology available, including in the natural gas sector, to reduce emissions and encourage jobs and economic growth. Some of the revenue will also go into a technology fund, to help spur new investment in all sectors, to make sure they fit within B.C.'s climate plan.
- Investing in electrification of upstream oil and gas production to allow extraction and processing to be powered by electricity, instead of burning fossil fuels.
- Working with industry to reduce fugitive emissions to match the federal government's target of a 45% reduction by 2025.
- Initiated a scientific review of hydraulic fracturing aimed at ensuring that industry in B.C. operates according to the highest-possible standards.

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BACKGROUND 2

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Office of the Premier
Ministry of Energy, Mines and Petroleum Resources

Requirement to respect and partner with First Nations

The Province has committed that large natural gas development projects, like the one proposed by LNG Canada and Coastal GasLink, can proceed only if proponents consult with First Nations and establish partnerships on projects within their territories.

- The LNG Canada facility in Kitimat will be located in the territory of the Haisla Nation, and is the First Nation most directly affected by the proposed facility. The Haisla Nation is very supportive of LNG Canada and is among several First Nations that support the project.
- LNG Canada has negotiated agreements with several First Nations impacted by its proposed tidewater operations and its provincial permits are not opposed by any First Nations.
- Over the life of the project, LNG Canada will provide billions of dollars to First Nations in capacity building, training and education, contracting and employment and community payments.
- Coastal GasLink, the company established by TransCanada Corporation to supply the new gas pipeline to the proposed LNG facility, has negotiated agreements with the elected councils of all 20 First Nations on the pipeline route from wellhead to tidewater:
 - Stellat'en First Nation, Saik'uz First Nation, Cheslatta Carrier Nation, McLeod Lake Indian Band, Saulteau First Nations, Kitselas First Nation, West Moberly First Nations, Lheidli T'enneh First Nation, Nadleh Whut'en Indian Band, Burns Lake Indian Band, Blueberry River First Nations, Halfway River First Nation, Doig River First Nation, Wet'suwet'en First Nation, Yekooche First Nation, Nee Tahi Buhn Indian Band, Skin Tye First Nation, Witset First Nation, Nak'azdli Whut'en, Haisla Nation.
- Prior to today's final investment decision, Coastal Gaslink had already conditionally awarded \$620 million in contract work to northern B.C. Indigenous businesses.
- The Province is ensuring that First Nations will benefit from LNG opportunities by pursuing agreements that encourage financial growth, enhance environmental stewardship opportunities and offer skills training so First Nations members can access employment opportunities. Benefits are shared with First Nations at various stages of the project's life cycles under pipeline and facilities agreements with the Province, as well as ongoing benefits while they are in operation.

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BACKGROUND 3

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Making sure that natural gas development benefits the people of B.C.

An essential part of LNG Canada's final investment decision was the B.C. government's March 2018 fiscal framework. The framework aims to put natural gas development on a level playing field with other industries in B.C. and to support good jobs and revenues for the Province, and to ensure British Columbians benefit from natural gas development.

Direct benefits of the LNG Canada final investment decision include:

- \$24 billion of direct private-sector investments in British Columbia
- Up to 10,000 jobs for people during construction and 950 permanent jobs in Northern B.C., once operations are underway
- Some \$23 billion in new government revenues over the life of the project – new resources for health care, schools, child care and services for the people of B.C.
- Significant funding for First Nation capacity building, training and education, contracting and employment, and community contributions

The framework follows a review of competitiveness issues facing the LNG sector and a detailed financial analysis of the LNG Canada proposal. Government developed measures to help ensure British Columbians receive a good return for natural gas resources, while unlocking new investment in the sector.

In light of LNG Canada's positive final investment decision, the government intends to put these measures in place and they will be available to other major projects of similar scale.

1. New operating performance payments

Under current legislation, proponents constructing significant manufacturing facilities would receive a PST exemption on input costs, whereas those proposing to construct LNG facilities would not.

Under the new framework, the B.C. government intends to exempt LNG Canada from the provincial sales tax (PST) on most elements of the construction of its initial facility. Separately, LNG Canada will also be entering into an agreement with the Province whereby LNG Canada will pay annual operating performance payments over 20 years, which are tied to the production and export of LNG and continuation of government's measures. The total amount of the agreement is equivalent to what LNG Canada would have otherwise paid in PST during the initial facility construction period.

This framework will be available to all proponents constructing significant projects in the province.

2. Clean growth incentive program

The provincial government recognizes that energy-intensive trade-exposed industries, including the natural gas sector, face unfair competition when competing globally with jurisdictions that do not impose a price on carbon.

The government intends that LNG projects will be eligible to participate in the new clean growth incentive program, announced by the provincial government in Budget 2018. A benchmark for world-leading clean LNG production will be established as part of this program, replacing existing requirements under the current Greenhouse Gas Industrial Reporting and Control Act.

3. Industrial electricity rates

The government intends that LNG projects will receive electricity at the general industrial rate charged by BC Hydro. This is the same rate paid by other large industrial users in British Columbia.

4. Removal of LNG income tax

The existing LNG income tax is not an efficient and effective tool for generating returns to British Columbia. It is cumbersome to administer and has led to uncertainties hampering investment. Government intends to introduce legislation to repeal this tax and instead government will use a number of other tax and royalty measures under its new fiscal framework, to help ensure that British Columbia gets a fair return for its natural gas resource. It is the government's intention that the natural-gas income-tax credit will be retained to encourage the use of B.C.'s natural gas at LNG facilities.

New approach to LNG

As part of establishing a new fiscal framework, the provincial government will take steps to improve the transparency and consistency with which it assesses industrial development opportunities. To that end, government intends to introduce legislation to repeal the Project Development Agreement Act, passed by the previous government.

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