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## HAWAIIAN DEAL SHOWS POSSIBILITIES FOR CANADIAN LNG AS CRUNCH TIME NEARS

Canadian liquefied natural gas may soon be lighting up Hawaii, if plans to ship the super-chilled gas to the Pacific island state come to fruition.

As 16 LNG consortiums consider investments on the West Coast, Vancouver, B.C.-based FortisBC Energy Inc. is expected to beat the traffic and start supplying LNG to Hawaiian Electric Co. under a 15-year agreement starting mid-2017, subject to regulatory approvals.

"This is our first long-term agreement of this type," said Doug Stout, vice-president, market development and external relations at FortisBC. "It's a niche LNG project, and a different kind of play than the northern B.C. and U.S. Gulf Coast projects, which are very large scale and have large shipping logistics."

Hawaiian Electric, or a third-party determined by the power company, will need to secure an export licence from the National Energy Board.

While small, the Hawaii deal underscores the breadth of possibilities and untapped markets for Canadian natural gas.

"We have had some interest from other offshore markets in North America, Asia and South America," Mr. Stout said. "It's early days, so we haven't nailed anything down, but there has been an interest when people see the opportunity and what they might be able to do."

FortisBC will require regulatory approval from the province to expand its Tilbury Island LNG facility in Delta, B.C. The facility, built in 1971, began supplying LNG as a transportation fuel in 2009 to local and regional markets including truck-based exports to the United States, and is currently in the midst of a $400-million expansion to boost output and storage facilities.

Nearby, Irving-C.A.-based WesPac Midstream LLC is planning a new marine terminal in the Fraser River adjacent to the Tilbury LNG Plant to accommodate exports of LNG by barges or ships. The company applied for a licence in the summer to export up to 400 million cubic feet of gas a day over 25 years from Delta.

Hawaiian Electric has agreed to purchase about 800,000 tonnes per year for the first five years, 700,000 tonnes for the next five years and 600,000 tonnes per year for the last five years, at a price of $12-$13 per million British thermal units.

“Here’s an example of possibilities — folks in Hawaii want to access West Coast Canada gas supply,” said Bill Gowzd, senior vice-president, gas services at Ziff Energy, a division of Solomon Associates. “It’s not just Asia. I don’t think we ever contemplated exporting gas to Hawaii — these are new concepts.”

The development comes at a crucial time for British Columbia’s LNG industry. After drumming up interest in the fledgling sector during the past few years, the provincial government is set to announce its fiscal regime governing LNG exports in the fall.

The government intends “to have legislation ready for introduction by fall 2014, once the complex drafting process is complete,” Glen Plummer, senior communications officer in B.C. government said in an email. The B.C. legislature will begin its fall session on Oct. 6.

Proponents had balked at the government’s initial proposal to levy a 7% tax on exports once capital costs were recouped, but the government is working to “provide certainty” as companies move toward making final investment decisions, Mr. Plummer said.

Although the LNG tax structure remains unclear, “we believe this tax is likely to negatively impact return economics for these projects,” investment bank Peters & Co. said in a report.

B.C. is hoping the fiscal terms will be attractive enough for proponents to proceed with the development of a new export industry at a time when its other major exports such as paper and mining are flagging.

The development is especially crucial for the natural gas sector that has fallen on hard times amid low prices and as the United States, Canada’s only natural gas customer, is increasingly self-sufficient in the commodity.

LNG proponents are also expected to focus their minds in the next few months.

Malaysian giant Petroliam Nasional Berhad (Perronas) and its Asian partners will decide on their B.C. LNG project by the end of the year, while a consortium led by Royal Dutch Shell Plc. may also decide on the project by mid-2015.

A third project expected to make a decision in early 2015 may have suffered delays after Apache Corp. decided to exit the development in June, leaving its partner Chevron Corp. in the lurch. The Kitimat project was widely seen by analysts as among the three most likely to succeed, but Apache’s exit under shareholder pressure suggests proponents remain jittery of pouring billions in an uncharted West Coast industry.

While success is far from certain, the government is taking heart from the ceaseless flow of new players coming to the market.

“We are seeing the continuation of new LNG proposals. In the past little while more than 10 billion cubic feet of LNG capacity have sprung up,” Mr. Gowzd said.

Apart from WesPac, Fort Worth, Tex.-based Quicksilver Resources Inc. applied for a licence to export 20 million tonnes of LNG per year for 25 years. Australia’s Woodside Petroleum also announced its intention to enter the crowded market with plans to export 20 million tonnes of LNG per year for 25 years from a proposed terminal at Grassy Point, B.C.

In addition, upstart Steelhead LNG is proposing a US$30-billion LNG export facility on Vancouver Island to export up to 30 million tonnes per annum (mtpa) of liquefied natural gas for 25 years.

Analysts expect more activity with new players clamoring for a piece of the LNG prize.

“We expect additional Asian LNG players to participate in Canadian West Coast LNG export projects through off-take agreements and/or direct equity participation,” said Peters Co., adding that major regasification operators such as Tokyo Gas, Tokyo Electric Power Company and Osaka Gas are among the major players absent.

B.C. has some significant development cost issues to overcome, with billions more in capital investments compared to its rivals on the U.S. Gulf Coast, and lack of pipeline infrastructure connecting reservoirs to exporting facilities.

But if Premier Christy Clark can get the fiscal terms right, the province could see as many as three facilities by 2025, according to market observers.

"If she spins it properly, she can get away with it," said Mr. Gowzd, noting that the B.C. teachers' strike under way highlights the need for the government to find new revenue streams as costs escalate.

"If she get her energy guys involved and they try to extract the lifeblood out of the system, then there is no LNG golden eggs any more. She [the premier] is being squeezed between revenue expectation and collecting that revenue. She has to balance it."

Alberta economy firing on all cylinders

## REAL GDP GROWTH LEADER FOR NEXT TWO YEARS

The vast majority of indicators continue to tell a firmly upbeat story about Alberta's economic strength, as momentum gives no signs of easing, according to the latest RBC Economics Provincial Outlook released Thursday.

RBC forecasts Alberta's real GDP growth for 2014 will be 3.9 per cent, surpassing last year's solid estimated pace of 3.7 per cent. It also forecasts growth of 3.5 per cent in 2015. In both years, annual economic growth in the province will lead the country.

"Alberta's growth remains miles ahead of the pace in other provinces and we continue to expect the province will stand at the top of the provincial growth rankings both this year and next," said Craig Wright, senior vice-president and chief economist of RBC, in a news release.

"Massive investment in energy and a strong population growth will continue to drive rapid economic expansion next year, though we do see mega-project investment and in-migration levels peaking and becoming slightly less powerful drivers of economic activity."

The Canadian economy is forecast to grow by 2.4 per cent this year and by 2.7 per cent next year.

Alberta's current economic boom continues to be fuelled by the huge capital spending in the energy sector, said the RBC report, adding a recent inventory of projects reveals that work is underway on projects worth close to $63 billion in the oilsands and other oil and gas pipeline projects.

It said large-scale developments of Alberta's energy resources are generating substantial economic activity year-after-year in the province, though increasingly the story is about energy production.

"As more and more megaprojects reach a production phase, crude oil output is rising rapidly in the province – year-to-date crude oil production is up nearly 10 per cent in the province," said RBC.

The report also said rapid population growth has emerged as another core component of Alberta's economic boom. Despite recent signs that net migration has started to ease, the number of people moving to the province remains at historically high levels. The province's population growth in the second quarter this year led the country at a very solid 3.3 per cent.

"Moving into 2015, Alberta's economic growth is expected to ease slightly, but remain at a robust 3.5 per cent rate," said Wright. "With persistent investments in energy sector and strong population growth driving the economy, we expect Alberta to sit atop the provincial growth rankings in 2015 yet again; however, we do anticipate the other provinces will somewhat narrow the gap."

## FRACKING NON-ISSUE FOR P.E.I., SAYS ENVIRONMENT MINISTER

Province 'diligently watching' fracking concerns in other areas

Hydraulic fracking, the method used to extract shale gas, is a non-issue for the P.E.I. says Environment Minister Janice Sherry.

The government of Nova Scotia decided last week to declare a moratorium on high-volume hydraulic fracturing. It cited a Canadian study that concluded there are too many uncertainties about the environmental and health impacts of fracking.

Unless the province receives an application to drill, the province sees no need to declare whether it will ban or support the practice, says Sherry.

"Our position on hydraulic fracturing is the same as it's been since

I've come to this department. We do not have any applications for hydraulic fracturing before us, and certainly we are diligently watching what's happening in the other areas around us," said Sherry.

"And, of course, if there was ever an application came before the province, there would have to be a complete environmental impact assessment."

Sherry is chairing a one-day meeting of Canada's environment ministers Thursday in Brudenell.

She says fracking will be discussed, likely, as the province of British Columbia makes its presentation on water.

The ministers also plan to talk about waste management, air quality, spills prevention and climate change.

## INTER PIPELINE ANNOUNCES SEPTEMBER 2014 CASH DIVIDEND AND CHANGES TO DIVIDEND REINVESTMENT PLAN

Inter Pipeline Ltd. ("Inter Pipeline") (TSX:IPL) announced today the declaration of a cash dividend of $0.1075 per share for September 2014. This dividend will be paid on or about October 15th, 2014 to shareholders of record on September 22nd, 2014. This dividend is designated as an "eligible dividend" for Canadian tax purposes.

Inter Pipeline also announced today changes to its Premium Dividend(TM) and Dividend Reinvestment Plan ("DRIP"). The premium dividend component of the DRIP is being suspended effective September 16, 2014. Concurrently, the Dividend Reinvestment Discount, as defined in the DRIP, will be reduced from 5% to 2%. For shareholders who have elected participation in the DRIP, reinvestment of their dividends will occur at the new discounted rate, beginning with the dividend declared today. Inter Pipeline's dividend reinvestment plan is available on our website at www.interpipeline.com.

"We are nearing completion of the largest oil sands transportation expansion in our history," commented Brent Heagy, Inter Pipeline's Chief Financial Officer. "Our dividend reinvestment programs helped us achieve our goal of successfully funding this capital expenditure program. We are now in a very strong financial position and have reduced need for new common equity at this time."

Since inception, Inter Pipeline has distributed approximately $2.6 billion in cash payments to investors. Inter Pipeline's objective is to provide investors with sustainable monthly cash dividends, with dividend growth upside tied to the development of Inter Pipeline's large portfolio of organic growth projects.

Inter Pipeline is a major petroleum transportation, natural gas liquids extraction, and bulk liquid storage business based in Calgary, Alberta, Canada. Inter Pipeline owns and operates energy infrastructure assets in western Canada and northern Europe. Additional information about Inter Pipeline can be found at www.interpipeline.com.

Inter Pipeline's common shares trade on the Toronto Stock Exchange under the symbol IPL.

All dollar values are expressed in Canadian dollars unless otherwise noted.

## NEW BRUNSWICK TO FIGHT $105M LAWSUIT FILED BY ENERGY COMPANY

The Province of New Brunswick intends to fight a $105-million lawsuit filed by a natural gas exploration company last month.

Calgary-based resource company Windsor Energy is suing the New Brunswick government and former Natural Resources Minister Bruce Northrup, for defamation. He claims his company's been "done wrong on a very high level."

"We had hoped that we could settle something with the government prior to coming to this stage," said Windsor Energy's CEO Khalid Amin in an interview with Global News on Aug. 15.

"We had informed of our intentions and the strength of our case and the things that have been done wrong. But they chose to bury their heads in the sand and consequently we filed suit."

In documents obtained by Global News, the province filed a 'notice of intent to defend' with the Fredericton courthouse on Sept. 8.

The suit stems from public statements made by then-Minister of Natural Resources Bruce Northrup back in 2011.

At that time, the company had a license and was exploring about 150,000 net acres near Sussex, N.B. for possible shale gas resources.

But a complaint was made when the company conducted seismic testing inside the town's municipal border before getting their written permission.

On November 2, 2011 Northrup said in a press release that the department had done an investigation, and had turned their findings over to the RCMP.

None of the allegations have been proven in court.

## NEW ALBERTA PREMIER PRENTICE COULD BE WELCOME ALLY FOR FUTURE PIPELINE PROJECTS

Federal Industry Minister James Moore says he expects soon-to-be Alberta premier Jim Prentice will be a welcome ally when it comes to future pipeline projects. Prentice spent years in Stephen Harper's government in cabinet posts that included Indian Affairs and Northern Development, Environment and Industry. Prentice stepped away from politics in 2010 to take a corporate job in Calgary. He was also hired by Enbridge to try to bring First Nations on side with the company's Northern Gateway proposed project through northern British Columbia. Moore says he considers Prentice a close friend and the federal government would welcome any help he can provide in moving projects such as Northern Gateway and Keystone forward. He says federal-provincial relations were fine under former Alberta premier Alison Redford, but will probably be even better with Prentice in charge. Prentice was elected by party members last weekend as Alberta's new Progressive Conservative leader and premier. "I think we have someone who understands Ottawa and, for the time he has left in this mandate, hopefully we'll be able to move some important projects forward," Moore said Tuesday following a speech in Calgary. "He was most recently working on projects with the province of B.C. and liaising with the aboriginal community, so time will tell. Those projects have their own internal dynamics," he added. "There are some very big projects — and Canadian energy needs to get to market in order to get global markets to create Canadian jobs — so we will see what success that Jim has." Northern Gateway would carry diluted bitumen from the Alberta oilsands to the town of Kitimat on the British Columbia coast, where it would be shipped overseas in oil tankers. TransCanada's proposed Keystone XL pipeline would transport crude oil from Hardisty, Alta., to Steele City, Neb., where it would link up with other pipelines that run to the Gulf Coast and the U.S. Midwest. Moore said he doesn't comment on provincial politics but wishes Prentice luck. "Keep in touch. There's some big files to work on." Prentice also met Tuesday with the mayors of Edmonton and Calgary, saying talks with both Don Iveson and Naheed Nenshi went well. "My objective is to strike a partnership between the province and our two big cities so we fulfil the objective of having world-class cities," said Prentice. Nenshi, who had criticized all the Tory candidates during the leadership campaign as being too vague on their promises to the cities, said he feels confident that Prentice is both a smart and moral man with whom he will be able to have a proper working relationship. Nenshi said in his time as Calgary's mayor, he has been through four premiers and a provincial government that has gone "from distraction to distraction" without accomplishing a lot for the cities. "We're in a new chapter now," he told reporters. "The step now is for us to move forward and put some meat on these bones. I think the premier-designate has a good grasp of what we need to do to move forward." Iveson also said he is optimistic about working with Prentice. "I'm really confident that Jim understands the challenges and more importantly the opportunities that Edmonton has and that Alberta has as an increasingly urban province," said the Edmonton mayor, who complained last week that the province has in the past treated the cities like children. "I'd say the level of debate has gone up."

## HOW OIL SANDS COMPANIES ARE HOPING TO EMULATE ENCANA'S PRAIRIESKY SPIN-OFF SUCCESS

Cenovus Energy Inc. and Canadian Natural Resources Corp. are considering divesting from their free land assets after the overwhelming success of Encana Corp.'s spin-off unit, the companies said Tuesday.

On Monday, Encana sold its remaining 70.2 million shares of PrairieSky Royalty Ltd. for $2.6-billion, only months after offloading 54% of the unit in a $1.67-billion initial public offering. PrairieSky generates royalty revenues as petroleum and natural gas are produced from its properties.

Cenovus, which has land size similar to PrairieSky's 5.2 million acres, is also evaluating its asset base, Ivor Rusty, the company's chief financial officer said at an energy conference organized by Peters & Co. in Toronto.

"We are currently going though the process of evaluating the prospectivity of those free lands and what options we have," Mr. Rusty said.

Canadian Natural is also examining its asset portfolio in light of the success of the newly-formed company.

"PrairieSky has set a high bar for expectation in the investor community," Doug Proll, executive vice-president at Canadian Natural told the audience at the event.

"It also set a high bar for the management of Canadian Natural. We are focused on two transactions. One could be a PrairieSky Royalty-model and one could be a … straight disposition."

PrairieSky surged 32% on its debuted on the Toronto Stock Exchange on May 29, and closed at $36.40 per share Tuesday, compared to its original offer price of $28.

The strong investor appetite for the assets comes as a welcome sign for Canadian oil and gas companies that are in an aggressive asset-disposition mode in a bid to contain costs and free up cash for high-cost assets.

The need to free up capital is especially crucial for oil sands companies that have seen foreign investment dry up after the government of Canada restricted majority control of oil sands companies by foreign state-owned enterprises.

"We would be delighted to have the conversation" with foreign companies, Mr. Ruste said at the event.

"Certainly the Canadian oil industry needs foreign investment to develop all its oil resources. Obviously, the Canadian government has tampered the enthusiasm to bringing that foreign capital."

## OIL SANDS COMPANIES TO ADOPT VOLUNTARY ENVIRONMENTAL COMMITMENTS IN CANADA

Oil Sands Industry Group Includes Some of the World's Biggest Energy Companies

A group of Canadian oil sands producers, including some of the world's biggest energy companies, is prepared to commit to specific environmental impact reduction targets later this month.

The plan marks the first commitment by the industry consortium, which was set up two and a half years ago in response to criticism about the rapid pace of development of oil sands projects in northern Alberta's boreal forests.

"We are in a position to launch our first two performance goals within two weeks," Dan Wicklum, Chief Executive of Canada's Oil Sands Innovation Alliance, said Tuesday.

That environmental-technology partnership, known as Cosia, brings together the R&D departments of 14 energy producers, including the Canadian units of ConocoPhillips, COP -0.35% Exxon Mobil Corp. XOM -0.25% and Royal Dutch Shell RDSA.LN -0.85% PLC.

Mr. Wicklum declined to detail the voluntary commitments, but said they apply to water use at oil-sands strip mines and in subterranean oil sands wells.

"They are not flippant, they need to be realistic," he said in a speech at an industry conference in the oil sands hub of Fort McMurray.

Water treatment is one of four priority areas oil sands producers have earmarked for benchmarking their environmental footprints, along with greenhouse gases, land reclamation and waste management. The group has pledged to announce similar commitments in all four.

In July, top oil sands producer and Cosia member Suncor Energy Inc. SU.T +0.35% 's Chief Executive Steve Williams said the consortium was "very close" to announcing long-awaited commitments to cut greenhouse gas emissions in a matter of "days or weeks."

Cosia's partners have a shared pool of some 560 different technologies that cost more than $900 million to develop. But officials say privately that progress has been slowed by the fiercely competitive corporate cultures and care to avoid violating anticompetitive laws.

Concerns that developing oil sands will harm Alberta's forests and increase carbon emissions have become rallying points for opponents of TransCanada Corp.'s proposed Keystone XL pipeline. The pipeline, which is meant to carry heavy oil from Western Canada to the U.S. Gulf Coast, has been stalled awaiting U.S. government approval.

Cosia's toughest issue by far is dealing with highly controversial wastes known as tailings, a byproduct of surface mining when bitumen, or heavy oil, is separated from clay, sand and silt.

Toxic waste ponds have become a magnet for critics, who say they are an eyesore and dangerous to migratory wildlife.

Last month, the head of Shell Canada said the company may not meet a separate government-mandated goals for reducing oil sands tailings by 2015, two years after it failed to meet original clean-up targets.

To help speed up efforts to reduce or reclaim tailings, Cosia's members have pledged to make all of their patented and propriety research available to one another in perpetuity, without charging royalties.