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LELU ISLAND LNG ENVIRONMENTAL ASSESSMENT QUESTIONED BY 130 SCIENTISTS

Scientists raise five areas of concern with the ‘scientifically flawed’ draft report

A group of more than 130 scientists is questioning the science behind an environmental assessment of a proposed LNG terminal on the North Coast of British Columbia.

The draft report by the Canadian Environmental Agency into the Pacific LNG development proposal for Flora Bank and Lelu Island was released last month.

In a letter to the federal government, the scientists raise five areas of concern with the “scientifically flawed” draft report, and ask the federal Minister of Environment and Climate Change Catherine McKenna to reject it.

A key concern is the effects the LNG export facility would have on the biology of the large estuary at the mouth of the Skeena River, which are one B.C.’s largest salmon bearing rivers.

“You couldn’t find a worse location to develop in terms of risks to fish. The CEAA report does not acknowledge that this LNG proposal is located on critical habitat of Canada’s second largest wild salmon watershed”, said Charmaine Carr-Harris, of the Skeena Fisheries Commission.

Jonathan Moore, the chair of coastal science and management at Simon Fraser University, says the draft report is the product of a flawed process.

“This letter is not about being for or against LNG, the letter is about scientific integrity in decision-making,” said Moore.

“The CEAA draft report for the Pacific Northwest LNG project is a symbol of what is wrong with environmental decision-making in Canada,” says the letter, which is signed by fish and wildlife biologists from across Canada, the United States and Norway.

The letter was also signed by Otto Langer, former chief of habitat assessment at the Department of Fisheries and Oceans.

“The CEAA report is less than scientific, full of speculation and wishful thinking.” he said in a statement released on Wednesday morning.

“I was one of the first salmon biologists to walk on Flora Bank in 1970. We were assessing a shipping port proposed for that area. The port was never built due to the overwhelming ecological importance of the area. It is ironic that some 46 years later that part of the estuary is faced again with this conflict.”

“A natural eelgrass salmon habitat such as Flora Bank cannot survive if it is subjected to pile driving, dredging, lights, ship and dock noises, spills, etc. We must keep industry out of this area.”

Pacific Northwest LNG, backed by Malaysian energy giant Petronas, has proposed to build an LNG export terminal at Lelu Island.

The proposed project is billed as the largest private-sector investment in B.C.’s history, valued at $36 billion and estimated to create 4,500 construction jobs.

The project has also been approved by some of First Nations in the area.

In June 2015, Pacific NorthWest LNG, which is controlled by Malaysian energy giant Petronas, said it will confirm a final investment decision on the $36-billion project in northeast B.C. subject to two conditions.

The first condition is approval of the project development agreement by the provincial legislature, while the second condition is a positive environmental assessment by the federal government.

PREMIER RACHEL NOTLEY RALLIES ALBERTA MAYORS IN SUPPORT OF ENERGY EAST PIPELINE

‘We felt today that the mayors needed to champion it,’ says AUMA president Lisa Holmes

Hundreds of mayors and reeves from across Alberta rallied in support of the Energy East pipeline on Wednesday during Premier Rachel Notley’s address to the Alberta Urban Municipalities Association.

The premier spoke to the AUMA mayors’ caucus one day after her NDP government delivered a throne speech that promised to invest in infrastructure, raise benefits for low-income parents and increase investment for small and medium-sized businesses.

Audience members held up green signs that read ‘Go East’ as the premier explained the importance of the project to Alberta's economic recovery.

"When people in other jurisdictions think that by blocking oil transfer from Alberta that they're somehow making an environmental decision, they need to actually understand what's happening," Notley said.

"All they're doing is, they're bringing it in from a difference place. And they're doing it in a way that doesn't help their national economy."

The proposed 4,600-kilometre pipeline would stretch from Alberta to an export terminal in New Brunswick, and could carry up to 1.1 million barrels of crude oil per day.

Notley said the government has asked the province's mayors to spread the word to their counterparts across the country about the environmental and economic advantages of buying Alberta oil.

"Municipal leaders are an incredibly important group of people that need to be listened to," she said. "They speak for the people whom they represent."

AUMA president Lisa Holmes said the group has already written letters of support for the project and delivered them to all the provincial and territorial association presidents.

Holmes, the mayor of Morinville, said the group also plans to rally the support of the Alberta Association of Municipal Districts and Counties at its annual convention next week.

"We needed to show the country that we are willing to stand up and be a strong voice," Holmes said.

She said the prospect of jobs is what's driving the Alberta mayors to take action.

"Albertans are finding that this isn't just a nice-to-have project, this is a need," she said.

Notley warned the AUMA that even a return to higher oil prices will not fix all the problems the province faces.

While higher-priced oil would restore billions of dollars to the economy, she said, without changes the province would still be subject to the same boom-and-bust cycles it has suffered through many times.

Notley said with that in mind, her government will work to strengthen the energy sector will diversifying the economy to prepare Alberta for a new and better future.

OIL PATCH WORKER HOUSING OPERATORS FEELING THE PINCH

Companies that own and operate the luxurious housing for oilsands workers had a tough 2015 and are facing a harder year ahead

A slowdown in oil patch activity means fewer trades people on site, putting a squeeze on businesses that house and feed workers in remote locations.

Before the downturn, when the oil and gas sector was chugging along, it was a challenge to entice enough skilled labourers to work for weeks on end far from home. Fat paycheques were one draw, but quality lodging was also key.

Many camps more closely resemble hotels or resorts, complete with Wi-Fi, fitness centres, ice rinks and meals prepared by Red Seal chefs.

They're quieter places nowadays, with oil and natural gas prices too weak to justify most new projects.

Black Diamond Group CEO Trevor Haynes figures the company's lodges are at about half occupancy these days. A few years ago, when times were better, it was more like 80 per cent.

The workers who remain are settling in for longer stays, as frequent shift turnovers eat into productivity at the mine or drill site, Haynes said.

Black Diamond is responding by tackling costs. Administrative expenses were down by 23 per cent during the last three months of 2015 compared to the fourth quarter of 2014, while capital expenditures were 97 per cent lower.

One of the more "painful" measures has been to reduce the workforce last year by around 130 to 140.

"It's really hard to turn an organization around from being fast-growth to being very cost-conscious," he said. "It was a very difficult year in that respect."

It's a similar story for another big camp operator, Horizon North Logistics.

CEO Rod Graham told a recent conference call that he'd like to say the pain is over, "but I know that would be a falsehood."

"Horizon North's traditional energy markets in Western Canada are under extreme duress."

As of mid-February, Horizon North had a workforce of just under 1,200, down 700 from the same time a year earlier, said Graham.

Jim Seethram, chief operating officer at Orissa Software, said the earliest signs of distress in the resource sector can be witnessed at work camps.

Orissa's system helps companies manage the comings and goings of their workers, processing more guest stays than some of the world's biggest hotel chains.

The decline has been most dramatic in open camps that house workers for quick drilling jobs, as opposed to those owned by oilsands operators, for instance.

Some regions have felt more pain than others. Shale oil rigs in North Dakota, for instance, "dried up in an instant" as it only takes a few days to wind down one of those operations, said Seethram.

But in the oilsands, the sunk costs are considerable and it takes years to build a project that will operate for decades. Operators are loath to stop construction partway through.

When activity does eventually pick up again, Seethram said he's not expecting to see camp operators pull back much on the bells and whistles for new projects.

"I don't think we can go backward from that," he said. "I think the camp operators have recognized that's what their guests are demanding and that's what draws them to the work site and that's just a necessary cost of business."

TRANSCANADA TO TERMINATE ALBERTA COAL POWER CONTRACTS DUE TO HIGHER EMISSIONS COSTS

Company plans to continue with natural gas co-generation and wind-power projects in the province

TransCanada Corp. says three of its Alberta power plants will become unprofitable as a result of a change in provincial law, so it plans to terminate their power purchase agreements.

The Calgary-based company says costs associated with carbon-dioxide emissions from the coal-fired plants have risen and are forecast to increase further over the remaining term of the agreements.

The decision affects the Sheerness power plant near Hanna, Alta., 230 kilometres northeast of Calgary, and the Sundance A and B plants that are 70 kilometres west of Edmonton.

TransCanada expects to write down the remaining value of the power purchase agreements for a total non-cash charge of $235 million before taxes and $175 million after taxes.

The president of TransCanada's energy business says the company will continue to be part of Alberta's energy sector through its gas-fired co-generation plants and wind projects.

The NDP government of Rachel Notley announced in November that it planned to impose a carbon tax and phase out coal-fired power plants in order to reduce carbon dioxide emissions, a contributor to global warming.

CANADIAN CRUDE OIL EXPORTS TO US GULF COAST DOUBLE IN 2015

Canadian crude exports to the US Gulf Coast more than doubled in 2015 while non-US exports tumbled, according to the latest data from Canada's National Energy Board.

Bolstered by new pipeline connectivity, Canadian exports to the US Gulf Coast increased to about 389,600 b/d from about 186,000 b/d in 2014. Nearly 99% of that increase, or around 201,000 b/d, was heavy crude, for which many Gulf Coast refineries have a healthy appetite.

Canada's total exports in 2015 were 3.035 million b/d, up 6.4% from 2.853 million b/d in 2014, according to NEB data. The country's total production in 2015 was 3.871 million b/d, according to initial data from NEB, up 3.1% from 3.753 million b/d in 2014.

While the bulk of the pipeline headlines in 2015 were focused on the bitter political fight over and rejection of TransCanada's Keystone XL, now tied up in the US court system, other expansions allowed Canada's presence in the US Gulf to blossom.

NEB market analyst Melissa Merrick credited three pipeline projects with the bulk of the boost — Seaway, Southern Access, and Cushing Marketlink — which added a combined 1.85 million b/d of throughput capacity.

"It was understood that if the pipelines would allow Canada to get heavies into US Gulf Coast then we would see more moving into market," Merrick said. "Crude oil is going to go where it makes most economic sense." The US Gulf Coast market is expected to continue to be a target for Canadian exports, but similar gains aren't expected in 2016.

"Volumes could go up but it's not going to double again," said Beth Lau, manager of oil supply and transportation for the Canadian Association of Petroleum Producers. "We just don't have the pipeline capacity there."

Non-US exports fell about 54,000 b/d to about 25,500 b/d in 2015. Merrick said the majority of that drop was a decrease in exports of the East Canadian offshore crudes — Hibernia, Terra Nova and White Rose.

Production from those maturing fields fell 44,322 b/d in 2015, according to the Canada-Newfoundland and Labrador Offshore Petroleum Board, but extension projects and the startup of a new field by ExxonMobil should breathe new life into the declining region in 2016.

More of the Eastern Canadian grades were also absorbed by Canadian and US refiners on the Atlantic coast. As the Brent-WTI spread narrowed in 2015, less Bakken was railed eastward and that void was filled by Eastern Canadian and West African crudes.

For example, the outright premium of Hibernia over Bakken delivered into the US Atlantic Coast, minus transportation costs, was roughly $10.26/b on February 27, 2015. Hibernia flipped to a discount around September and has mostly stayed cheaper since, reaching a discount of $4.05/b on January 21.

The only US region to receive less Canadian oil in 2015 than 2014 was the East Coast, which saw a 13,400 b/d decrease to 230,300 b/d. Light oils, such as the Eastern Canadian grades increased but heavies sharply fell for an overall decline.

All other regions grew, although not as much as the Gulf Coast. Exports to the Rockies grew nearly 19,000 b/d to 259,900 b/d. Exports to the US West Coast were up 12,500 b/d to 213,700 b/d.

The largest destination for Canadian exports continues to be the US Midwest, which had a modest increase of 14,000 b/d to 1.9159 million b/d. The US Midwest receives more than 67% of all Canadian exports.