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B.C. NDP REJECTS PROPOSED LNG PLANT NEAR PRINCE RUPERT

In a decision that the B.C. New Democratic Party shared only with federal regulators and its environmental supporters, the opposition has officially rejected the proposed Pacific NorthWest LNG plant near Prince Rupert, saying plans for an $11.4-billion terminal on Lelu Island would generate significant greenhouse gas emissions (GHG) and threaten the important Skeena River salmon runs. The decision creates a clear political wedge now as the B.C. Liberal government has championed Pacific NorthWest LNG. The project, led by Malaysia's state-owned Petronas, is awaiting a decision from the Canadian Environmental Assessment Agency (CEAA). In a letter to CEAA dated March 10, B.C. NDP Leader John Horgan and his environment critic George Heyman said the project is deficient because it threatens juvenile salmon habitat and would increase the province's GHG output by 8.5 per cent. However, the decision puts the NDP at odds – once again – with some of its labour allies.Tom Sigurdson, executive director of the BC Building Trades Council, was in Prince Rupert to talk with First Nations leaders about LNG job opportunities on Monday when he learned of the NDP's position only after B.C. Liberal caucus staff circulated Mr. Horgan's CEAA letter."I'm very disappointed. The building trades have been working hard with LNG proponents to try to develop the industry in British Columbia," Mr. Sigurdson said in an interview. Although the building trades unions are typically supportive of the NDP, Mr. Sigurdson has been critical of the NDP's opposition to the $9-billion Site C dam that is currently under construction – a project that is the province's largest public infrastructure project in history.

The labour leader said he hopes to meet with NDP MLAs next week to ask where the New Democrats would propose to support job creation, in advance of the May, 2017, election. "We're going to have that conversation with the NDP caucus."

The NDP has maintained it supports the development of an LNG industry. The Petronas proposal is the most advanced of the major LNG projects on the books in British Columbia.The Liberal government has described the project, when the associated pipelines and upstream natural gas rights are included, as the largest private sector investment in Canadian history, worth a total of $36-billion.

CANADIAN OIL SANDS LOOK FOR CANADIAN PIPELINES

When the Keystone XL pipeline was blocked last November, it may have left many people with the impression that the door had been closed to exports of Canadian oil sands. That is not necessarily the case.Proposals for big pipeline projects continue to advance in Canada, but with destinations on the East and West Coasts within Canada. The proposals would accommodate the many plans for significant expansions of output from the oil sands.Environmental activists and many other people would rather see oil sands development blocked, especially because of the greenhouse gas emissions associated with the work. But it is hard for elected leaders and regulators in Canada to overlook the importance of energy revenues and jobs to the nation and especially to Alberta, where most of the oil sands are located.So the expansion plans keep moving ahead for both pipelines and oil sands production.Keystone XL, a TransCanada Corp. plan, is not necessarily dead, given the possibility that another U.S. president might look more favorably upon it. But it is only one of the big four pipeline projects under consideration in Canada. The other three are entirely within Canada, needing approval from a U.S. administration. They are:Trans Mountain Expansion, a Kinder Morgan Inc. plan to increase the volume of crude oil that moves from Alberta to the Vancouver, British Columbia, metropolitan area, where tanker ships also could leave for East Asia. It is the plan nearest to a decision by the federal government.

Northern Gateway, an Enbridge Energy Inc. plan to move crude oil from Alberta to Kitimat, British Columbia, where a deepwater port could allow export to East Asia.

Energy East, another TransCanada plan and the largest of any under consideration. It would move crude oil from Alberta to refineries in

eastern Canada all the way to Saint John, New Brunswick, and from there could use the deepwater port to export to Europe and as far as India.

'VIRTUALLY NO DRILLING THIS SUMMER': CANADA NATURAL GAS PLAYERS FIGHT FOR MARKET SHARE

Seven Generations Energy Ltd. and Tourmaline Oil Corp. are coming out on top in a battle for market share in Canada's natural gas industry as prices wallow near an 18-year low and drilling is forecast to reach a virtual standstill this summer. The Calgary-based companies, along with Arc Resources Ltd. and Peyto Exploration & Development Corp., are among those growing gas supplies the fastest in Canada in a ranking of the top 20 producers by BMO Capital Markets, even as competitors such as Canadian Natural Resources Ltd and Centrica Plc's Direct Energy curb output in the rout."Tourmaline, Peyto, Seven Generations, they have cash costs well below current commodity prices," said Greg Dean, who oversees C$2 billion ($1.53 billion) at CI Financial Corp.'s Cambridge Global Asset Management in Toronto, including holdings of Tourmaline. "They are winning a market share game." As North American energy producers contend with a protracted downturn in oil, they're also grappling with a gas slump as mild weather exacerbates a glut of the heating- and power-plant fuel, pushing storage to a record high in Canada. Julie Woo, a Canadian Natural spokeswoman, declined in an e-mail to comment on the company's drop in western Canadian gas output. The company is still both the nation's largest producer of gas and heavy crude and has been focused on expanding its Horizon oil-sands project in northern Alberta. Direct Energy's Canadian gas output fell slightly last year after it reduced drilling that's currently uneconomic and turned off production from some wells, Wendy

Tynan, a spokeswoman, said in an e-mail. Canada Inundated Before the rout, Canada's gas producers were already increasingly competing with cheap U.S. supplies, including rising volumes entering Eastern Canada from Appalachia. The lower prices are favoring those with the lowest costs and the cleanest balance sheets. With a decline of 20 percent, gas has performed the worst on the 22-member Bloomberg Commodity Index year to date, based on the return of underlying commodity futures price movements. Even oil is doing better, after prices rose from February lows in a slump that began in June 2014.

Spot prices for Canada's AECO gas fell to 88 Canadian cents per gigajoule on March 31, the lowest since October 1997. A gigajoule is a unit of energy equivalent to about 27 cubic meters of natural gas.

The number of active rigs targeting gas in the country has dropped by more than half from a year ago, to 38 in the week that ended on April 1, according to Baker Hughes data compiled by Bloomberg. Still, western Canadian gas production is up about 5 percent from a year ago as companies get more from each well, BMO analysts led by Ray Kwan said in a March 30 report. Record Storage As Canada exits the heating season, the country has record volumes in storage for this time of year at about 511 billion cubic feet, up more than 90 percent from a year earlier, according to Enerdata Ltd. figures compiled by Bloomberg. The market can't balance until storage levels normalize, which may take until December, TD Securities Inc. analysts led by Travis Wood wrote in an April 4 report. Investors are betting gas producers likely to emerge strong from the downturn include Seven Generations, Birchcliff Energy Ltd. and Tourmaline, among the best-performing Canadian energy stocks this year. Seven Generations, the sector's top stock of 2016, is up 46 percent, Birchcliff has risen 12 percent and Tourmaline has gained 11 percent. Seven Generations was little changed at C$19.65 at 9:54 a.m. in Toronto. "In a lower commodity-price environment, those companies that are able to supply gas at the low end of the cost curve are going to be able to work," said Scott Vali, who oversees C$300 million at CIBC Asset Management in Toronto including holdings in Arc and Tourmaline.

Production Falls Tourmaline boosted its output 37 percent in 2015 while reducing drilling, completion and capital costs by 25 percent and is targeting another 10 percent reduction in capital costs this year, the company said last month. Still, Canadian gas output is poised to fall. The median company needs an AECO price of more than C$2.00 to cover cash costs alone, which doesn't include paying royalties and finding and developing the land, Peters & Co. analysts wrote in a March 29 report. Some of the largest output declines in 2015 among the top 20 producers were attributable to Canadian Natural, Direct Energy and Taqa North Ltd., a unit of Abu Dhabi National Energy Co., according to BMO. Shutting In Some of the reductions come from turning off unprofitable wells. Canadian Natural has about 40 million cubic feet a day shut in and is trying to bring down costs for about half those volumes to consider its options, Chief Operating Officer Tim McKay said last month on a conference call. Others that have disclosed shut-ins include Storm Resources Ltd. and Cequence Energy Ltd.

Alex Birkholz, a spokeswoman for Taqa, wasn't immediately able to comment when reached on Monday. Representatives for Storm and Cequence didn't return requests for comment.

Falling production in the industry is the start of a bigger shakeout, according to FirstEnergy Capital Corp.

"Some of these guys are on the ropes and will go under or get swallowed up by other companies," said Martin King, an analyst at FirstEnergy in Calgary. "There's going to be virtually no drilling this summer, especially for gas."

KEYSTONE PIPELINE LIKELY SHUT FOR REST OF WEEK AFTER SPILL, TRANSCANADA SAYS

TransCanada says it has found no significant harm to the environment

TransCanada Corp. says the Keystone pipeline will likely remain shut down for the rest of the week while officials investigate an apparent oil spill in southeastern South Dakota.

Oil was discovered on a 27.9-square-metre area in a ditch near a Freeman, S.D.-area pump station. About 100 workers are at the site removing soil and determining the location of the leak. A company spokesman says crews have found no pipeline damage. TransCanada hasn't released the amount of oil or speculated on cleanup costs.

TransCanada says it has found no significant harm to the environment. State environmental officials are monitoring the cleanup. The Keystone pipeline runs from Alberta to refineries in Illinois and Oklahoma, passing through the eastern Dakotas, Nebraska, Kansas and Missouri.Freeman is about 64 kilometres southwest of Sioux Falls.

WARNING FOR INVESTORS, NOT JUST ENVIRONMENTALISTS, IN FOSSIL FUEL SPENDING

It is no surprise when committed environmentalists scoff at new investments in pipelines and oilsands. But a new study indicates that self-interested investors should also be wary. As the Canadian Association of Petroleum Producers announces a $50 billion drop in Canadian oil and gas investment, the new research raises concerns about the valuation of any future investments, saying they may not last long enough to pay off. The report, published in the academic journal Applied Energy, does not focus directly on pipelines or oilsands development. Instead, it addresses electrical power plants driven by fossil fuels. The innovation of the report, however, is to extend the concept of "stranded assets" beyond fossil fuels still in the ground. It says they now include the plant and equipment used to turn those resources into energy used by our economy. The stranded-assets concept has been widely discussed by the financial industry, including by Bank of England governor Mark Carney, in regard to the fossil fuel industry. The idea describes how companies, and potential investors in those companies, should assess the value of corporate reserves of coal, oil and gas. If extracting those assets would seriously damage the world — flooding trillions of dollars worth of coastal land, for instance — then it is completely unreasonable for a company to calculate the value of proven reserves in the traditional manner. It will never be permitted to extract them. To clarify, it might help to move away from the oil and gas industry. Imagine if, as well as its cash in the bank, its office buildings and its factories, a company had on its books $1 billion worth of asbestos that had not yet been mined. The company can borrow against all those assets, and the assets represent the company's future income stream. Now imagine that changing health concerns mean that most of that asbestos may never be mined or exported. The asset still exists, it is still being mined, but for the purpose of valuations, most of that asbestos is stranded underground for the foreseeable future. No smart investor is going to lend the company its money using that $1 billion worth of asbestos as collateral. The analogy to the coal industry has already become apparent. China and many other places are sharply reducing the use of coal. The world's enormous underground coal reserves have been slashed in value. The innovation of this brand new analysis published by academics from the Oxford Martin School and the Smith School of Enterprise and the Environment, both at Oxford University, is that it expands the stranded-assets concept to include what economists call capital. That's the human-made part of energy company assets. "Investors putting money into new carbon-emitting infrastructure need to ask hard questions about how long those assets will operate for, and assess the risk of future shutdowns and write-offs," says Cameron Hepburn, one of the academics involved in new study. The hard questions investors face include whether the investments will pay off. The study discusses electricity generating plants but, as Hepburn says, the same thing applies to any other energy investment. Like power plants, pipelines and new oilsands operations take decades to earn back their initial investment costs. If the investor is sure the stream of future income is secure, the investment is well worthwhile. But the Oxford researchers calculate that for the world to limit climate change to 2 C as agreed at COP21 in Paris, many planned new energy developments cannot go ahead. Or, if they go ahead, other existing projects will have to be shut down. The researchers say at the current pace, new investment will hit that cutoff level in 2017. "If the 2 C target is to be taken seriously, then current and future assets will have to be written off before the end of their economically useful life (become stranded assets) or we will have to rely on large-scale investments down the line in carbon capture and storage technologies that are as yet unproven and expensive," says the report. Some of the proponents of Canadian pipeline and oilsands investments reject the climate change argument. For investors considering whether to invest, whether climate change is true or not really doesn't matter. For their own financial benefit, what investors must consider is whether the climate risk has been properly calculated into the future income stream. If investors in power plants, pipelines and new oil development go ahead without proper regard to climate risk and find those assets stranded, they will be worth less than advertised.

TRANSCANADA RESUMES OIL SHIPMENTS THROUGH KEYSTONE PIPELINE

TransCanada Corp. has resumed sending oil through the Keystone Pipeline after a weeklong shutdown prompted by a leak and oil spill in southeastern South Dakota.

The pipeline came back online Sunday, but with a reduced pressure. The company says it is continuing cleanup and land restoration at the site of the spill, which TransCanada estimates was about 400 barrels, or just under 17,000 gallons.The leak was discovered April 2. The company says there was no significant environmental impact or threat to public safety.The pipeline transports crude from Alberta, Canada, to refineries in Illinois and Oklahoma, passing through the eastern Dakotas, Nebraska, Kansas and Missouri. It can handle 550,000 barrels, or about 23 million gallons, daily.

The company has not released estimates on cleanup costs and repairs.

OIL AND GAS SPENDING IN CANADA TO PLUMMET 62% IN TWO YEARS

Investment in the oil and natural gas sector in Canada is expected to drop to $31 billion in 2016, down from a record $81 billion in 2014, according to new data compiled by the Canadian Association of Petroleum Producers. The 62% reduction is the largest two-year decline since CAPP and its predecessor organizations started tracking this data in 1947. The total number of wells drilled in Western Canada is forecast to decline to 3,500 wells in 2016, a 66% drop from the 10,400 wells drilled in 2014. "It's larger than the 1980s, which only had a two-year pullback of 43%," Tim McMillan, CAPP president and chief executive officer, said in an interview this morning. However, because the industry was much smaller at the time, the effects also were much smaller and were more regional. "Today, it's a national industry." In the 1980s, the whole world was going through a low price, over-supply environment, McMillan noted. "Today, we are going through that on a global basis and then Canada has the market constraint and a further reduction because of a lack of pipeline capacity and LNG facilities which further discounts our products." And while countries all around the world have seen reductions in oil and gas capital spending, the largest capital pullback has been in Canada, he said. "Ours is bigger and faster and deeper than theirs [competing countries]." In the United States, for example, the pullback has not been as sharp as in Canada and companies have been able to maintain market access because they have been able to export oil and LNG, according to McMillan. "Canada needs urgent action to remain an attractive market for oil and gas investment, and to be competitive relative to other oil and natural gas producing jurisdictions." Although the federal government is not expected to make a decision on the Trans Mountain crude oil pipeline to the West Coast until December of this year, "that means we have several months of work as Canadians to show support and to get this project done," he said. "That's a crucial piece of infrastructure that moves substantial increases in production and I think that's paramount." On the natural gas side, "LNG is something that is almost happening in real time and the time frames of getting into that market are crucial, and if we can't get our natural gas off the continent, we have hundreds and hundreds and hundreds of years supply with current technology; there is an immediate issue," said McMillan. The timely expansion of Canada's pipeline network to deliver to more markets at home and abroad, along with the development of liquefied natural gas export facilities, remains a national priority, according to CAPP. "Doing so would allow Canadians to earn full value for their resources and create economic activity that would otherwise be lost." Over the last several years, there has been a dramatic increase in the importance of the oil and gas sector to the Canadian manufacturing industry, said McMillan. "That's a great story, but when we are hurting, they are hurting too." More than 2,300 businesses across Canada outside of Alberta supply goods and services to the oilsands. Including indirect jobs, more than 110,000 people across Canada have lost their jobs as a result of the downturn in the oil and natural gas sector, according to CAPP. "Connecting our resources — by all means and in all directions — to more markets is critically important to improve the prosperity of all Canadians, even with the current declines in prices and investment," said McMillan, noting that Canadian oil production continues to grow as previously approved oilsands projects come into operation. "The United States, our only customer and No. 1 competitor, is certainly not standing still," he said. "We as a country need a common effort to have a level playing field in North America. Doing so will help ensure Canada is not at a competitive disadvantage relative to the U.S."

A YEAR AFTER MARATHASSA, VANCOUVER STILL NOT PREPARED FOR AN OIL SPILL, SAYS CITY

Federal and provincial officials are still working on coordinated response plan

A year after the cargo ship MV Marathassa spilled several thousand litres of bunker fuel into Vancouver's English Bay, concerns remain about the region's ability to put together a coordinated clean-up response. "I don't think we as a region are ready for a major spill, says Vancouver city manager Sadhu Johnston. He says last year's spill, which was limited to the fuel from a cargo ship, was actually fairly small compared to what could happen if an oil tanker passing through the harbour were to run into trouble. "The fact of the matter is West Coast Marine Response Corporation still doesn't have the capacity to clean up the quantities of a spill like that." Delays in the federal governments' response to the Marathassa spill provoked widespread condemnation from both city and provincial officials. A review of Marathassa spill concluded that miscommunication and uncertainty over roles delayed containment and clean-up. Johnston notes while the city is working with federal and provincial officials on a better response plan, a year later there is nothing in place yet. "We still don't have a region response plan. It is still under development and will be in place later this year, but it is still not done," say Johnston "One of the biggest frustrations that we had last year was that there really wasn't a plan. The coast guard just really didn't have a spill response plan. As a result we were really just in reaction mode."

He says they city has taken its own actions, including ordering new fire boats equipped with oil spill booms, The city is encouraged by plans to re-open the coast guard's Kitsilano Station. "This incident a year ago demonstrated the importance of having that station open, so we are really glad to see that." He also notes communication between the city and coast guard officials has already improved. "The coast guard has really stepped up in terms of notification. We've seen huge improvements there." Christianne Wilhelmson, executive director of the Georgia Strait Alliance agrees that while the lessons from the MV Marathassa spill are clear, the lack of a plan remains a concern. "This was a small spill that was able to teach us a huge lesson," says Wilhelmson.

"The Marathassa spill showed us there was poor communication, no planning — it was just seriously flawed. It seemed that many levels of government got the message that we need to do a better job." Wilhelmson says she is hopeful the current consultations will result in better coordination with local governments. She also says more efforts have been made to make industry and polluters acountable for clean-up efforts. But like Johnston, she remains concerned about plans by Kinder Morgan to nearly triple the capacity of the Trans Mountain Pipeline, and dramatically increase the number of tankers carrying crude oil through Vancouver Harbour. "The truth is if we have a diluted bitumen spill, we are done. A recent study by the National Academy of Sciences show that bitumen sinks. We have no means if cleaning it up. If we have a diluted bitumen spill, our coast will never be the same.