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ENBRIDGE'S GATEWAY RISES FROM DEAD AS TRUDEAU WAVERS ON TANKERS

Northern Gateway Pipeline map proposal Enbridge Inc.'s Northern Gateway pipeline may get a new lease on life as the Canadian government wavers on a planned tanker moratorium that was previously thought to spell the end for the project. Officials are weighing what types of petroleum products may be exempt from any moratorium, and whether certain tankers could be allowed, according to people familiar with the matter, who spoke on condition of anonymity because the talks are private. Prime Minister Justin Trudeau pledged in November to "formalize a moratorium on crude oil tanker traffic" on British Columbia's northern coast. But cabinet ministers are noncommittal on its precise implications, while the officials declined to comment on Northern Gateway's prospects.

"It's a formalized moratorium and, when we have worked out exactly what that means, we'll let you know," Transport Minister Marc Garneau, who is responsible for implementing

the measure, said in an interview this month. Asked in a separate interview whether the moratorium pledge means Gateway is dead, he said: "It's premature to say anything." The country's oil industry, constrained by its reliance on the U.S. as the main destination for crude exports, is seeking new markets. Delays and opposition to pipeline projects are hampering that effort, leading to bottlenecks and discounts in Canadian heavy oil, which trades about \$14 a barrel lower than North American benchmark West Texas Intermediate. The 1,177 kilometer (731 mile) Northern Gateway would carry diluted bitumen from Alberta's oil sands through British Columbia for shipment to Asia. The pipeline, now expected to cost more than the initial C\$6.5 billion (\$5.1 billion) price tag, was first proposed about a decade ago. Several federal government officials declined this month to say Northern Gateway is dead, or whether the moratorium will amount to a ban on tanker traffic altogether. Trudeau spokesman Cameron Ahmad acknowledged the prime minister's earlier comments against the pipeline while declining to comment on whether his position

remains the same. "The government is currently conducting consultations and examining science and facts to ensure we protect Canadian coastlines," Ahmad said. Alberta Premier Rachel Notley has changed her skeptical stand on Northern Gateway after seeing progress on some of the project's hurdles and speaking to people involved who are "optimistic" about the pipeline's chances, said the premier's spokeswoman Cheryl Oates. Enbridge's shares are up about 4.5 percent since Northern Gateway was given the nod by the previous government of Stephen Harper in June 2014. Energy stocks in the Standard & Poor's/TSX Composite Index are down 35 percent as a group over that period. Northern Gateway is the country's only major pipeline proposal with federal government approval. Facing opposition from communities along the route, Enbridge is still working to build support with aboriginal groups before making a final investment decision ahead of its permit expiring at the end of the year. With Kinder Morgan's Trans Mountain expansion and TransCanada Corp.'s Energy East projects facing hurdles of their own,

a shift in the government's approach to the tanker ban may give Gateway the best chance of moving forward. The clock is ticking. Enbridge must file shipping agreements by the end of June and begin construction by Dec. 31 to avoid losing its permit. Amid the uncertainty, the company believes Trudeau doesn't have the legal authority to implement a blanket ban, according to people familiar with the company's thinking. Enbridge wants to "move forward" on Northern Gateway, said spokesman Ivan Giesbrecht when asked about the moratorium. "Building support is the number one priority right now," he said. First Nations and Metis partners are in discussions with Trudeau's government about the ban, while Enbridge isn't part of those talks. British Columbia's northern coast is home to numerous indigenous communities that have traditionally relied on the Pacific for food and transportation. The Gitga'at who live at the mouth of the Douglas Channel vigorously oppose oil tanker proposals, arguing a spill would devastate their way of life. Canada may also face opposition from the U.S. if it tries to implement the ban in disputed waters at the Dixon Entrance

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boundary between British Columbia and Alaska, whose Governor Bill Walker is unaware of any proposed tanker ban in the region, according to a spokeswoman. U.S. opposition "is a possibility," Garneau said. "We're not sure at the moment. We'll see how we go about it." Gerald Graham, a maritime law consultant based in Victoria, British Columbia, said there are some examples of marine areas where tankers are banned. They include the Olympic National Marine Sanctuary off the west coast of Washington State. The International Maritime Organization has also designated so-called ATBAs — Areas to be Avoided — where all ships or certain classes of ships are prohibited to protect the environment. Enbridge has proposed a "world-class" response system and tug boat escorts for tankers in the 90-kilometer long Douglas channel to address oil-spill concerns. The British Columbia government has opposed both Northern Gateway and the Trans Mountain expansion on the grounds not enough has been done to mitigate risks.

British Columbia won't support a heavy-oil pipeline unless the project meets five conditions, including environmental approval and spill response. The province will "continue to work with industry, First Nations, communities and the federal and other provincial governments to ensure the five conditions are met," Minister of Natural Gas Development Rich Coleman said in an e-mail. The debate hinges on "what petroleum products will be captured by the moratorium," said Kai Nagata of the Dogwood Initiative, an environmental group that opposes the pipeline. He added they were told to expect legislation on the moratorium this year. "It would be quite a stunning reversal for people in British Columbia were the government to walk back its promises of a formal tanker ban."

B.C. IN NO RUSH TO APPROVE ENBRIDGE NORTHERN GATEWAY OIL PIPELINE

Alberta Premier Rachel Notley's softening stance on the Enbridge Northern Gateway oil pipeline project has generated renewed optimism in the oil and gas sector, but it will be many months before the B.C. government may match her shift toward "yes" on the movement of more crude oil across the Rockies. Ms. Notley said this week her government is in negotiations with B.C. to pave the way for construction of an oil pipeline to the West Coast in exchange for a long-term contract to buy British Columbia's surplus electricity. Ms.

Notley indicated she is no longer strictly opposed to the construction of Northern Gateway. In a statement Thursday, B.C. Environment Minister Mary Polak confirmed negotiations with Alberta are running on parallel tracks — climate and energy — but played down any tradeoffs between the two provinces on those files. "We continue to work on areas of common interest today, with both the energy and climate files clearly a priority for both provinces," she said. But Ms. Polak added that British Columbia will maintain its opposition to both Northern Gateway and Kinder Morgan's TransMountain oil pipeline expansion proposal until each of its five conditions is met. "Progress has been made, but there is more work to do. On the marine front, for example, there are gaps in marine response capabilities that the federal government will need to address," Ms. Polak said. The federal cabinet is not expected to make a decision on Kinder Morgan until December and the B.C. Liberal government wants to see approval by Ottawa before it would move forward. Although Enbridge continues to work toward meeting the more than 200 conditions attached to its certificate from the National Energy Board, the Northern Gateway project in its current form is expected to stall because the federal Liberal government has promised to legislate a ban on crude oil tankers off the north coast of British Columbia — a measure that would choke off the proposed shipping terminal at Kitimat. Jeff Gaulin, vice-president of communications for the Canadian Association of Petroleum Producers, said Premier Notley's public remarks on Northern Gateway do reveal a more positive climate in general for the construction of pipelines to get Alberta crude oil to new offshore markets. "There has been a lot more conversation in recent months about how governments, industry and communities across the country can work better together to build the energy infrastructure that Canada needs," he said in an interview. "We're very encouraged that conversations are ongoing between varying levels of government, and between government and industry."

The governments in British Columbia and Alberta have had frosty exchanges since the Northern Gateway application process began, but recently B.C. Premier Christy Clark's Liberals and Premier Notley's New Democrats have found some common ground in promoting the energy sector on the national level. However B.C.'s main interest is in gaining federal approval for the development of liquefied natural gas, and Premier Clark's government

has demonstrated little concern for the construction of oil pipelines that face strong opposition in parts of British Columbia. Premier Notley has found new leverage, however, since B.C. proposed to expand the transmission capacity between the two provinces. "I think it's fair to say that the government of B.C. understands that there wouldn't be a market for their electricity if we're not able to get something approaching a non-discounted price for the product that we ship," she told The Globe and Mail earlier this week. Ms. Polak, in her statement, did not dispute that account but sought to disentangle the two issues: "We see a strengthened B.C.-Alberta intertie for west-east electricity transmission as an opportunity to work together on climate action, in partnership with the federal government."

NOTLEY TO DELIVER 'BEST ALBERTA CASE' FOR ENERGY EAST TO FEDERAL CABINET IN KANANASKIS

Premier says talks with British Columbia also continue over two possible pipelines to the West Coast. Premier Rachel Notley says she aims to ensure the "best Alberta case" for the Energy East pipeline is put before Prime Minister Justin Trudeau and his cabinet when she meets with top federal officials in Kananaskis this weekend. The pipeline proposal, which would carry bitumen from Alberta to the East Coast, is currently the subject of a National Energy Board review.

The federal government has been

cautious about speaking in favour or against the proposal while the NEB process is underway, but Natural Resources Minister Jim Carr has emphasized that the final decision rests with cabinet. Well aware of that, Notley said she plans to make the case for pipelines when she has private meetings with Trudeau and his cabinet at a mountain retreat in southwestern Alberta over the weekend. "When that decision finally lands at the federal cabinet table — which it will — I want to make sure that not just the prime minister but as many cabinet ministers as possible understand the economic importance of these pipelines, not only to Alberta, but to downtown Toronto and to Gander, Nfld., and to Nanaimo, B.C.," Notley told CBC News.

"And so, when they do go about making that decision, they'll do so with the best Alberta case in front of them." The premier also said she plans to emphasize the steps the Alberta government has taken to limit greenhouse gas emissions while continuing to develop the province's oilsands.

"Most people don't understand the breadth and the depth of the shift that our government has brought into place here," Notley said. Alberta's climate change measures include an annual carbon dioxide emissions cap of 100 megatonnes on oilsands operations and an economy wide carbon tax of \$20 per tonne that kicks in on Jan. 1, 2017, escalating to \$30 per tonne on Jan. 1, 2018.

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climate change policy and I'm hopeful that they're starting to see the importance of the need for energy infrastructure," Notley said. Notley also said meetings continue between her government and its counterpart in British Columbia over the possibility of an agreement that would see Alberta agree to purchase hydro power from its western neighbour in exchange for facilitation of a pipeline to the Pacific. "I'm going to meet with my colleagues both to the east and to the west to ensure that we're able to work through whatever barriers might exist," she said. Notley downplayed how far along that possible deal is, however, saying the talks are preliminary and no timeline is yet in place. She also said her earlier concerns with the proposed Northern Gateway pipeline remain in place, but she's keeping an "open mind" about the project, despite speaking in opposition to it in the past. "Northern Gateway faces the largest barriers and at the time it seemed like it was not possible for those barriers to be overcome," Notley said. "Many of those conditions and issues still exist. It's up to the proponent that they can address them and, there's no question ... they're working diligently on that." Northern Gateway has conditional NEB approval but has encountered fierce opposition from people in British Columbia concerned about potential environmental impacts both along the pipeline route and from tanker traffic travelling in and out of the port at Kitimat, B.C. Notley said the proposed expansion of Kinder Morgan's Trans Mountain pipeline offers another opportunity, probably a stronger one, for getting Alberta oil products to tide water.

"In my view, I think the Kinder Morgan pipeline is the most likely route to be approved in B.C. at this particular point in time," she said. "And so I'm going to continue

to talk to the government in B.C. about what might be in place to allow us to move forward on that."

RACHEL NOTLEY PLANS TO PROMOTE CLIMATE PLAN IN WASHINGTON

Will 'showcase our province' as stable and attractive for business

Premier Rachel Notley is heading to Washington this week to talk to U.S. politicians and officials about her government's new climate change plan and will try to change the province's "dirty oil" image. "I want them all to know that after years of inaction by the previous government, Alberta is now at the forefront in the fight against climate change," Notley said Tuesday. Notley also plans to sell Alberta as a place to do business.

"There are some tremendous opportunities with respect to diversification and investment opportunities in renewables, in alternative energy here in Alberta," she said.

Although Notley has been pushing for a pipeline to get Alberta crude to world markets, she said she isn't meeting with U.S. opinion-makers to push for the Keystone pipeline.

Notley will meet with Canadian Ambassador to the U.S. David MacNaughton and talk to the Centre for American Progress and Cambridge Energy Research Associates. She will also check-in with Gitane Da Silva, Alberta's representative in Washington.

Notley is giving the Enders Memorial Lecture at Johns Hopkins School of Advanced International Studies while in Washington. Notley will leave Wednesday and return Friday. Four staff members and two security officers are travelling with Notley. The trip is estimated to cost \$32,000

Feds quietly paid \$75M settlement for Lac-Megantic victims

The federal government quietly spent \$75 million to settle with victims and creditors affected by the Lac-Megantic rail disaster — a contribution that also shielded it from lawsuits related to the deadly crash. Former transport minister Lisa Raitt said the deal, which involved 24 other defendants who settled, was under negotiation before her Conservatives lost the October election to the Liberals. The Liberals have refused to reveal how much the government gave to the \$460-million settlement fund, even though at least two parties accused of wrongdoing in the deadly Quebec derailment disclosed their contributions. But in a recent interview Raitt said the amount was public.

She said it was included in Transport Canada's supplementary estimates as well as in its quarterly financial report under "out-of-court settlement." The amount listed is \$75 million. Last week, Transport Minister Marc Garneau said the figure was "classified" when asked how much taxpayer money the government set aside for the settlement.

Garneau also reiterated Ottawa's denial — under both the Liberals and the Tories — that it had any legal responsibility for the 2013 oil-train accident that killed 47 people and levelled part of Lac-Megantic. "We don't acknowledge that we had any responsibility; however, we did want to make a contribution because of the impact of this terrible tragedy in Lac-Megantic," Garneau said last week. Raitt agreed that the government's main goal behind the settlement was to speed up the process. "The motivation was simple: this was an opportunity to get money to the victims for wrongful death in a shorter period of time through the U.S. bankruptcy

proceedings as opposed to a long, drawn-out, litigious court case," Raitt said in a recent interview. The government's decision to settle may have also been made to avoid the cost of fighting the allegations in court. It would have faced numerous lawsuits related to the derailment on both sides of the border, said the U.S.-based bankruptcy trustee for the company at the centre of the crash — Montreal, Maine & Atlantic Railway. Robert Keach has also said that, contractually speaking, the arrangement explicitly stated the settling parties were not acknowledging any liability with their contributions. The Transportation Safety Board's 2014 report on the crash said Transport Canada failed to recognize that the railway had urgent safety problems and was not following the rules. It also said the department failed to audit safety procedures at MM&A and didn't conduct enough inspections.

Raitt responded to the TSB report at the time by saying the government's role was to put the rules in place. The companies, the Conservative minister added, were expected to follow those regulations — something she said MM&A did not do. In the recent interview, Raitt reiterated the position that the rules weren't respected. "We don't believe we are liable and it's not an admission of liability," said Raitt, who added she would have publicly disclosed the government's settlement contribution. Irving Oil has announced it had contributed \$75 million to the fund. The train was transporting crude oil to Irving's refinery in Saint John, N.B. World Fuel Services Corp., the U.S. company that owned the oil aboard the train, announced a few months later that it provided US\$110 million toward the settlement.

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